

## **RESOLUTION NO. 050310-5**

**WHEREAS**, on February 16, 1984, the City of Austin consented to the creation of River Place Municipal Utility District ("District") and authorized the execution of the Agreement Concerning Creation and Operation of River Place Municipal Utility District (as amended, the "Consent Agreement") in Ordinance No. 840216-F; and

**WHEREAS**, in accordance with the terms of the Consent Agreement, the District previously issued its Unlimited Tax and Revenue Bonds, Series 1995, in the original principal amount of \$4,000,000 (the "Series 1995 Bonds") and its Combination Unlimited Tax and Revenue Bonds, Series 2000, in the original principal amount of \$4,650,000 (the "Series 2000 Bonds"); and

**WHEREAS**, the District has requested that the City Council consent to the issuance of bonds by the District for the purpose of refunding certain outstanding Series 1995 Bonds maturing on and after September 1, 2006 and certain outstanding Series 2000 Bonds maturing on and after September 1, 2008 (collectively, the "Refunded Bonds"), such maturity years to be determined by the pricing agent pursuant to the provisions of the District's resolution authorizing the issuance of its Unlimited Tax and Revenue Refunding Bonds, Series 2005; and

**WHEREAS**, the District has represented to the City that (1) the Refunded Bonds will be refunded only if the District realizes a net present value savings of at least 4.25%, (2) the Refunded Bonds will be called for redemption prior to their scheduled maturities on September 1, 2005 in the

case of the Series 1995 Bonds and on September 1, 2007 in the case of the Series 2000 Bonds and (3) the District is in all material respects in compliance with the terms and conditions of the Consent Agreement; **NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

The City Council approves the District's issuance of its Unlimited Tax and Revenue Refunding Bonds, Series 2005, in an amount not to exceed \$6,050,000 ("Refunding Bonds"), and the substantial draft of the District Bond Resolution Authorizing Issuance of River Place Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2005 and the substantial draft of the Preliminary Official Statement for the Series 2005 Refunding Bonds attached as Exhibits A and B and incorporated by reference, subject to final review and approval of the final offering documents by the director of the City's Department of Financial and Administrative Services;

**BE IT FURTHER RESOLVED:**

The Council's approval is effective only to the extent that (1) the principal amount of the Refunding Bonds does not exceed \$6,050,000; (2) the Refunding Bonds produces a minimum net present value savings of 4.25%; (3) the District secures the debt service payment on the bonds by obtaining a municipal bond insurance policy from a nationally recognized company that in the regular course of its business issues insurance policies to guarantee the payment of debt service on bonds; (4) the amortization of debt service on the Refunding Bonds is on a level payment basis; (5) the final maturity of the

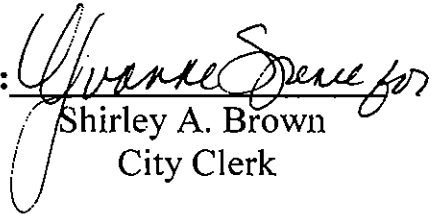
Refunding Bonds does not extend beyond the term of the Refunded Bonds; and (6) the City's financial advisor confirms to the City that the requirements set forth in clauses (1) through (5) above have been satisfied.

**BE IT FURTHER RESOLVED:**

The City Manager may take such steps as are necessary to carry out the intent of this resolution and shall obtain from the District all final resolutions, agreements and other instruments necessary to confirm that the conditions for the issuance of the Refunding Bonds by the District set forth immediately above have been satisfied.

**ADOPTED:** March 10, 2005

**ATTEST:**

  
Shirley A. Brown  
City Clerk

## **EXHIBIT A**

## CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS

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COUNTY OF TRAVIS

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I, the undersigned officer of the Board of Directors of River Place Municipal Utility District hereby certify as follows:

1. The Board of Directors of the River Place Municipal Utility District convened in a regular meeting on February 22, 2005 (the "Meeting"), at the regular meeting place within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

James F. Casey	President
Kenneth Bartlett	Vice President
Arthur Jistel	Secretary
L.E. (Lee) Wretlind	Treasurer
Joseph A. Berkel	Director

and all of said persons were present, with the exceptions of \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE OF RIVER PLACE MUNICIPAL UTILITY DISTRICT UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2005; APPROVING AN ESCROW AGREEMENT, PAYING AGENT/REGISTRAR AGREEMENT, AND OFFICIAL STATEMENT; ESTABLISHING PROCEDURES FOR SELLING AND DELIVERING THE BONDS; AND OTHER MATTERS RELATED THERETO

(the "Resolution") was introduced for the consideration of the Board. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, the motion, carrying with it the adoption of the Resolution, prevailed and carried by the following vote:

Ayes: \_\_\_\_\_

Abstentions: \_\_\_\_\_

Nays: \_\_\_\_\_

2. That a true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this certificate; that the Resolution has been duly recorded in the Board's minutes of the Meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose

of the Meeting, that the Resolution would be introduced and considered for adoption at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public as required by law; and that public notice of the time, place, and subject of the Meeting was given as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code.

SIGNED AND SEALED on this \_\_\_\_\_.

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

RESOLUTION  
AUTHORIZING THE ISSUANCE OF

RIVER PLACE MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BONDS,  
SERIES 2005

Adopted: February 22, 2005

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**RESOLUTION**  
**AUTHORIZING ISSUANCE OF RIVER PLACE MUNICIPAL UTILITY DISTRICT**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2005; APPROVING**  
**AN ESCROW AGREEMENT, PAYING AGENT/REGISTRAR AGREEMENT, AND**  
**OFFICIAL STATEMENT; ESTABLISHING PROCEDURES FOR SELLING AND**  
**DELIVERING THE BONDS; AND OTHER MATTERS RELATED THERETO**

THE STATE OF TEXAS

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COUNTY OF TRAVIS

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**Recitals**

WHEREAS, River Place Municipal Utility District (the "District") was organized, created, and established under Article XVI, Section 59 of the Texas Constitution and such other laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended;

WHEREAS, Section 49.152, Texas Water Code, provides that a district may issue bonds, notes, or other obligations to borrow money for any corporate purpose or combination of corporate purposes only in compliance with the methods and procedures specifically provided by such Chapter or by general law;

WHEREAS, the Board of Directors of the District hereby finds and determines that the following bonds of the District previously issued, sold, and delivered are outstanding:

Waterworks and Sewer System Tax and Revenue Bonds, Series 1995 (the "Series 1995 Bonds");

Unlimited Tax and Revenue Bonds, Series 1998 (the "Series 1998 Bonds");

Unlimited Combination Tax and Revenue Bonds, Series 2000 (the "Series 2000 Bonds"); and

Unlimited Tax and Revenue Refunding Bonds, Series 2002 (the "Series 2002 Bonds");

WHEREAS, the District now desires to refund all or a portion of the currently outstanding Series 1995 Bonds and the Series 2000 Bonds which are callable (the "Refundable Obligations," and those Refundable Obligations designated by the Pricing Officer in the Pricing Certificate, each as defined below, to be refunded are herein referred to as the "Refunded Obligations") by issuing unlimited tax and revenue refunding bonds pursuant to the authority granted under Chapter 1207 of the Texas Government Code, as amended ("Chapter 1207");

WHEREAS, Chapter 1207 authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with (1) any place of payment (paying agent) for any of the Refunded Obligations or (2) a trust company or commercial bank other than one serving as paying agent for the Refunded Obligations which does not act as depository for the Issuer and which is named in the proceedings of the District authorizing execution of an escrow agreement, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 authorizes the District to enter into an Escrow Agreement with any such paying agent, trust company, or commercial bank described above with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the District and such paying agent may agree, provided that such deposits may be invested and reinvested only in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which shall mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or prepayment of the Refunded Obligations; and

WHEREAS, Wells Fargo Bank, National Association, Austin, Texas is a commercial bank other than one serving as paying agent for the Refunded Obligations which does not act as depository for the District and which is named herein as the Escrow Agent in the proceedings authorizing an escrow agreement; and

WHEREAS, the Board of Directors of the District hereby finds and declares a public purpose and deems it advisable to refund the Refunded Obligations to achieve a net present value debt service savings of at least 4.25%, with such savings, among other information and terms, to be included in a pricing certificate (the "Pricing Certificate") to be executed by either L.E. (Lee) Wretlind, Director, or Joseph A. Berkel, Director, acting as the designated pricing officer of the Board of Directors (the "Pricing Officer"), all in accordance with the provisions of Chapter 1207, Texas Government Code, as amended, including Section 1207.007 thereof; and

WHEREAS, upon the issuance of the Bonds herein authorized and payment in full of the Refunded Obligations, the Refunded Obligations shall no longer be outstanding and the pledges, liens, trust, and all other covenants, provisions, terms, and conditions of the order authorizing the issuance of the Refunded Obligations shall be discharged, terminated, and defeased.

IT IS, THEREFORE, RESOLVED BY THE BOARD OF DIRECTORS OF RIVER PLACE MUNICIPAL UTILITY DISTRICT THAT:

ARTICLE I  
DEFINITIONS, FINDINGS, AND INTERPRETATION

Section 1.1 Definitions. For all purposes of this Resolution, unless the context requires a different meaning or except as otherwise expressly provided, the following terms shall have the meanings assigned to them below:

"Additional Bonds" means bonds, the Bonds, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Article XI hereof.

"Bonds" shall mean the River Place Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2005 authorized to be issued by this Resolution and subject to the terms and conditions set forth in the Pricing Certificate, and certified or authenticated and delivered hereunder, to include collectively the Capital Appreciation Bonds and Current Interest Bonds initially issued and delivered pursuant to this Resolution and subject to the terms and conditions set forth in the Pricing Certificate and all substitute Capital Appreciation Bonds and Current Interest Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Bond Date" shall mean the date of the Bonds as designated by the Pricing Certificate.

"Bond Buyer 20 Bond Index" means the average interest rate reported by the *Daily Bond Buyer* on 20-year maturities of general obligation bonds of 20 state and municipal issuers with ratings ranging from "Aaa" to "Baa".

"Bondholder" or "Holder" when used with respect to any Bond shall mean the Person in whose name such Bond is registered on the Register.

"Capital Appreciation Bonds" shall mean the Bonds on which no interest is paid prior to maturity, maturing in various amounts and in the aggregate principal amount as set forth in the Pricing Certificate.

"Code" shall mean the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Delivery Date.

"Compounded Amount" shall mean, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Pricing Certificate and Section 3.2 hereof.

"Current Interest Bonds" shall mean the Bonds on which interest is paid semiannually prior to maturity or redemption, maturing in each of the years and in the aggregate principal amount set forth in the Pricing Certificate.

"Debt Service Fund" shall mean the District's Debt Service Fund established in Section 9.1 of this Resolution.

"Definitive Bonds" shall mean the Initial Bonds, as may be transferred and converted into or exchanged for fully registered Bonds, in denominations of \$5,000 or multiples thereof for the Current Interest Bonds and in denominations of \$5,000 or multiples thereof of Maturity Amount for the Capital Appreciation Bonds.

"Delivery Date" shall mean the date on which the Bonds are initially authenticated and delivered to the Underwriter against payment therefor which shall also be the date the Definitive Bonds are delivered in exchange for the Initial Bonds.

"Depository Bank" means any financial institution duly designated by the Board of Directors of the District to serve as a depository for funds controlled by the Board of Directors of the District.

"District" shall mean River Place Municipal Utility District.

"Event of Default" means any event of default as provided in Article XIV hereof.

"Fiscal Year" means the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District.

"Government Obligations" means direct noncallable obligations of the United States, including (i) obligations that are unconditionally guaranteed by, the United States; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than "AAA" or its equivalent.

"Gross Revenues" means all income, receipts, and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts, and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of money in any special funds or accounts created and established for the payment and security of the Bonds and the Previously Issued Bonds.

"Initial Bonds" shall mean the Initial Bonds authorized to be issued hereunder which shall be registered by the Comptroller of Public Accounts of the State of Texas, as contemplated by Section 3.5 hereof.

"Interest Payment Date" shall mean with respect to any installment of interest on any Current Interest Bond the date specified in such Bond as the fixed date on which any such installment of interest is due and payable.

"Maintenance and Operating Expenses" means the expenses necessary to provide for the administration, efficient operation, and adequate maintenance of the System together with such other costs and expenses as may now or hereafter be defined by law as proper Maintenance and Operation Expenses of the System.

"Maturity Amount" as used with respect to any Capital Appreciation Bond, shall mean the amount to be paid to the Holder thereof at maturity, which shall include both principal and interest.

"Maturity Date" or "Maturity" when used with respect to any Bond shall mean the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity, by call for redemption, or otherwise.

"Net Revenues" means all income derived from the ownership and operation of the System after deducting the Maintenance and Operation Expenses and providing for the funding of any operating reserves from time to time established by the Board.

"Outstanding" when used with respect to the Bonds shall mean, as of the date of determination, all Bonds theretofore sold, issued, and delivered by the District, except:

- (1) those Bonds canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;
- (2) those Bonds paid or deemed to be paid in accordance with the provisions of this Resolution; and
- (3) those Bonds that have been mutilated, destroyed, lost, or stolen and for which replacement Bonds have been registered and delivered in lieu thereof.

"Paying Agent/Registrar Agreement" shall mean the agreement between the District and the Paying Agent/Registrar referred to in Section 5.1 pursuant to which the Paying Agent/Registrar will perform the duties required hereunder.

"Paying Agent/Registrar" shall mean Wells Fargo Bank, National Association, until a successor Paying Agent/Registrar shall have been appointed pursuant to the applicable provisions of this Resolution, and thereafter "Paying Agent/Registrar" shall mean such successor Paying Agent/Registrar.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Place of Payment" shall mean the designated office of the Paying Agent/Registrar in Austin, Texas.

"Predecessor Bonds" of any particular Bond shall mean every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond registered and delivered under Section 3.10 in lieu of a mutilated, lost, destroyed, or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

"Previously Issued Bonds" means the Series 1995 Bonds, the Series 1998 Bonds, the Series 2000 Bonds, and the Series 2002 Bonds.

"Pricing Certificate" shall mean the Pricing Certificate of the District, to be executed and delivered by the Pricing Officer pursuant to Section 3.2 hereof in connection with the Bonds.

"Pricing Officer" shall mean either L.E. (Lee) Wretlind or Joseph Berkel of the District's Board of Directors, acting severally but not jointly as the designated pricing officer of the District to execute the Pricing Certificate.

"Purchase Contract" shall mean the agreement entered into by the District and the Underwriter relating to the sale and purchase of the Bonds.

"Record Date" for the interest payable on any Interest Payment Date shall mean the fifteenth calendar day (whether or not a business day) of the month next preceding such Interest Payment Date.

"Redemption Date" when used with respect to any Current Interest Bond to be redeemed shall mean the date fixed for such redemption pursuant to the terms of this Resolution and the Pricing Certificate.

"Redemption Price" when used with respect to any Current Interest Bond to be redeemed shall mean the price at which such Current Interest Bond is to be redeemed pursuant to the terms of this Resolution and the Pricing Certificate, excluding installments of interest, the Interest Payment Date for which is on or before the Redemption Date.

"Refunded Obligations" shall mean those Refundable Obligations to be refunded as designated by the Pricing Officer in the Pricing Certificate.

"Register" shall have the meaning stated in Section 3.7 hereof.

"Regulations" shall mean the temporary or final income tax regulations applicable to the Bonds issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to sections 103 and 141 through 150 of the Code and applicable to the Bonds.

"Resolution" shall mean this resolution authorizing the issuance of the Bonds.

"Series 1995 Bonds" means the Unlimited Tax and Revenue Bonds, Series 1995 issued in the original principal amount of \$4,000,000.

"Series 1998 Bonds" means the Unlimited Tax and Revenue Bonds, Series 1998 issued in the original principal amount of \$2,700,000.

"Series 2000 Bonds" means the Combination Unlimited Tax and Revenue Bonds, Series 2000 issued in the original principal amount of \$4,650,000.

"Series 2002 Bonds" means the Unlimited Tax and Revenue Refunding Bonds, Series 2002 issued in the original principal amount of \$2,724,683.80.

"Special Payment Date" shall have the meaning stated in Section 3.3 hereof.

"Special Record Date" shall have the meaning stated in Section 3.3 hereof.

"Stated Maturity" when used with respect to any Bond shall mean the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

"System" means the waterworks system, sanitary sewer system, and drainage and storm sewer system of the District, including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property and contract rights needed therefor, now owned or to be hereafter purchased, constructed, or otherwise acquired whether by deed, contract, or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, except the water, sewer, and/or drainage or storm sewer facilities that the District may purchase or acquire with the proceeds of the sale of special project bonds, so long as such special project bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

"Underwriter" shall have the meaning stated in Section 7.1 hereof.



Section 1.2 Findings. The declarations, determinations, and findings declared, made, and found in the preamble to this Resolution are hereby adopted, restated, and made a part of the operative provisions hereof.

Section 1.3 Table of Contents, Titles, and Headings. The table of contents, titles, and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.4 Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Resolution.

## ARTICLE II SECURITY FOR THE BONDS

Section 2.1 Security for the Bonds. The Bonds are secured by and payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property within the District. The Bonds are also secured by and payable from the Net Revenues of the System, as more fully described in Section 2.3 hereof.

Section 2.2 Debt Service Fund; Tax Levy. The proceeds from all taxes levied, assessed, and collected for and on account of the Bonds shall be deposited, as collected, in the Debt Service Fund. While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed, levied, and collected, in each year, beginning with the current year, a continuing, direct, annual ad valorem tax, without legal limit as to rate, upon all taxable property in the District, sufficient to pay the principal on the Bonds as the same matures, the Redemption Price, if any, and interest as it becomes due, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on, and principal of the Bonds and to no other purpose.

Section 2.3 Net Revenue Pledge as Additional Security. (a) In order to further secure the Bonds, the District hereby grants a lien on and pledge of the District's Net Revenues. Such Net Revenues, as herein provided, are hereby pledged to the payment of the principal, interest, and Redemption Price of the Bonds. If at any time ad valorem taxes levied and collected for the payment thereof, together with other amounts

in the Debt Service Fund, are insufficient for such purpose, the District shall transfer to the Debt Service Fund such available Net Revenues as shall be necessary to provide (together with other amounts on deposit in the Debt Service Fund) for the payment of principal, interest, and Redemption Price of the Bonds; provided, however, that no transfers of revenues shall be made to the Debt Service Fund by the District until all Maintenance and Operation Expenses, including the cost of maintaining an operating reserve, if any, shall have been paid by the District. The District reserves the right to apply Net Revenues not required for current payments of principal, interest, and Redemption Price of the Bonds for any lawful purpose of the District.

(b) The pledge of the Net Revenues hereunder is on a parity with the pledge of the Net Revenues made to secure the Previously Issued Bonds. The District reserves the right to issue additional bonds and incur obligations secured in whole or in part by a lien on and pledge of Net Revenues on a parity with or subordinate to the lien on and pledge of Net Revenues securing the Bonds and the Previously Issued Bonds, and to apply such Net Revenues to the payment of such additional bonds and obligations on a parity with or subordinate to the Bonds and the Previously Issued Bonds.

(c) Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the taxes and revenues granted by the District under this Article, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the taxes and revenues granted hereunder is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in the pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, as amended, and enable a filing to perfect the security interest in the pledge to occur.

(d) The District is located within the City of Austin, Texas (the "City") or the extraterritorial jurisdiction thereof. The City has the right to annex and dissolve the District. At such time, the obligations of the District payable in whole or in part from ad valorem taxes shall become obligations of the City, and the governing body of the City shall determine the source of payment, whether ad valorem taxes of the City, available revenues of the City's water and wastewater system, other lawfully available funds, or any combination thereof, sufficient to effect the payment of the principal of and interest on the obligations so assumed by the City. In order to allow the City to integrate the District's System into the City's water and wastewater system, the City may terminate the pledge of and lien on the Net Revenues of the District's System to the payment of Bonds.

ARTICLE III  
AUTHORIZATION; GENERAL TERMS;  
AND PROVISIONS REGARDING THE BONDS

Section 3.1 Authorization and Purpose; Designation. The District's Bonds to be designated "River Place Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2005" are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, particularly Section 59 of Article XVI of the Constitution of Texas, Chapters 49 and 54 of the Texas Water Code, and Chapter 1207 of the Texas Government Code, as amended. The Bonds shall be issued in an aggregate principal amount not to exceed \$6,015,000 for the purpose of refunding the Refunded Obligations in order to restructure the District's debt and achieve the minimum debt service saving required by Section 3.2(b) hereof.

Section 3.2 Dates, Numbers, Denomination, Delegation to Pricing Officer. (a) The Current Interest Bonds shall be numbered consecutively from R-1 upward and the Capital Appreciation Bonds shall be numbered consecutively from CR-1 upward. The Current Interest Bonds shall be in denominations of principal equal to \$5,000 or any integral multiple thereof; the Capital Appreciation Bonds shall be in denominations of Maturity Amount equal to \$5,000 or any integral multiple thereof. The Current Interest Bonds shall bear interest at the rates, mature not later than September 1, 2019, serially or otherwise, on the dates, in the years, and in the principal amounts, respectively, and dated all as set forth in the Pricing Certificate to be executed and delivered by the Pricing Officer pursuant to subsection (b) of this Section. The Pricing Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board of Directors as a part of this Resolution.

(b) As authorized by Section 1207.007, Texas Government Code, as amended, the Pricing Officer is hereby authorized to act on behalf of the District in selling and delivering the Bonds, determining which of the Refundable Obligations shall be refunded and constitute "Refunded Obligations" under this Resolution and carrying out the other procedures specified in this Resolution, including determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Capital Appreciation Bonds, the rate of interest to be borne by each maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Obligations, all of which shall be specified in the Pricing Certificate; provided that (i) the price to be paid for the Bonds shall not be less than 97% of the aggregate original principal amount thereof plus accrued interest thereon from its date to its delivery, (ii) none of the Bonds shall bear interest at a rate greater than 2% above the highest average interest rate reported by the Bond Buyer 20 Bond Index during the one-month period preceding the date of the Preliminary Official Statement, and (iii) the refunding must produce a net present value debt service savings of at least

4.25%. In establishing the aggregate principal amount of the Bonds, the Pricing Officer shall establish an amount not to exceed the amount authorized in Section 3.1, which shall be sufficient to provide for the purposes for which the Bonds are authorized and to pay the costs of issuing the Bonds. The Bonds shall be sold by negotiated sale to the Underwriter pursuant to a bond purchase contract at such price, with and subject to such terms, as determined by the Pricing Certificate.

(c) The Current Interest Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the Form of Bonds set forth in this Resolution to their respective dates of maturity or redemption at the rates per annum set forth in the Pricing Certificate.

(d) The Capital Appreciation Bonds shall bear interest from the Delivery Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Pricing Certificate (the "Compounding Dates") commencing on the date set forth in the Pricing Certificate, and payable, together with the principal amount thereof, in the manner provided in the Form of Bonds at the rates set forth in the Pricing Certificate. Attached to the Pricing Certificate shall be an exhibit (the "Compounding Amount Table") that will set forth the rounded original principal amounts at the Delivery Date for the Capital Appreciation Bonds and the Compounded Amounts and Maturity Amounts thereof (per \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Pricing Certificate, and continuing until the final maturity of such Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a Compounding Date is the amount set forth on the Compounding Amount Table with respect to the last preceding Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Compounding Amount Table with respect to the next succeeding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding Compounding Date to the next succeeding Compounding Date.

### Section 3.3 Medium, Method, and Place of Payment.

(a) The District will duly and punctually pay the principal of and interest on the Current Interest Bonds and the Maturity Amount of the Capital Appreciation Bonds in accordance with their terms in lawful money of the United States of America and shall deposit with the Paying Agent/Registrar on or before each Interest Payment Date funds sufficient to pay the principal of and interest on the Current Interest Bonds then due and the Maturity Amount of the Capital Appreciation Bonds then due, as provided in this Section.

(b) Interest on the Current Interest Bonds shall be paid to the Holders thereof as shown in the Register at the close of business on the Record Date by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment, first class United States mail, postage prepaid, to the address of such person as it appears in the Register, or by such other customary banking

arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangement.

(c) Principal of the Current Interest Bonds and Maturity Amount of the Capital Appreciation Bonds shall be paid to the Holders thereof on the Stated Maturity upon presentation and surrender of the Bonds at the Place of Payment.

(d) If the specified date for any payment of principal (or Redemption Price) of or interest on the Current Interest Bonds or for payment of Maturity Amount of the Capital Appreciation Bonds shall be a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

(e) In the event of nonpayment of interest on a Current Interest Bond on an Interest Payment Date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" that shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Current Interest Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(f) Unclaimed payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Holder of the Bonds to which the unclaimed payments pertain. Subject to Title 6 of the Texas Property Code, payments remaining unclaimed by the Holders entitled thereto for three years after the applicable payment or Redemption Date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds and bonds similarly secured, shall be paid to the District to be used for any lawful purpose related to the System. Thereafter, neither the District, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Holders of such Bonds for any further payment of such unclaimed money or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

#### Section 3.4 Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the District by the President and Secretary of the Board, by their manual or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed

manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the District whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bonds delivered at the Delivery Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which Certificate shall be evidence that the Bond has been duly approved by the Attorney General of the State of Texas, that it is a valid and binding obligation of the District, and that it has been registered by the Comptroller of Public Accounts of the State of Texas.

**Section 3.5 Initial Bonds.** The Current Interest Bonds herein authorized shall be initially issued as a single fully registered Bond (the "Current Interest Initial Bond") in the total principal amount, with principal installments to become due and payable, and bear interest, as provided in Section 3.2 and the Pricing Certificate, and numbered T-1. The Capital Appreciation Bonds herein authorized shall be initially issued as a single fully registered Bond (the "Capital Appreciation Initial Bond," collectively with the Current Interest Initial Bond, the "Initial Bonds") in the total principal amount, with the Maturity Amount to become due and payable, and to compound interest as provided in Section 3.2 and the Pricing Certificate, and numbered CT-1. On the Delivery Date, upon payment for the Initial Bonds, the Initial Bonds, signed by the President and Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Underwriter or its designee. If so requested by the Underwriter, upon payment for the Initial Bonds, the Paying Agent/Registrar may cancel the Initial Bonds and deliver to the Underwriter one registered Definitive Bond for each Stated Maturity of the Bonds in the aggregate principal amount of all Bonds for such maturity, registered in the name of the Underwriter.

**Section 3.6 Ownership.**

(a) The District, the Paying Agent/Registrar, and any other person may treat the person in whose name any Bond is registered as the absolute Holder of such Bond

for the purpose of making and receiving payment of the principal thereof and Redemption Price, if any, thereon, for the further purpose of making and receiving payment of the interest thereon and for all other purposes (except interest due on a Current Interest Bond will be paid to the person in whose name such Current Interest Bond is registered on the Record Date or Special Record Date, as applicable), whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Holder of a Bond shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sum paid.

### Section 3.7 Registration, Transfer, and Exchange.

(a) So long as any Bonds remain Outstanding, the District shall cause the Paying Agent/Registrar to keep at the Place of Payment a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Resolution.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Place of Payment with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Place of Payment for a Bond or Bonds of the same Stated Maturity and interest rate and in any denomination or denominations of \$5,000 and integral multiples thereof, and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Holder for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Holder to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

(f) Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or

exchange date; provided, however, such limitation shall not be applicable to an exchange by the Holder of the uncalled principal balance of a Bond.

Section 3.8 Cancellation. All Bonds paid or redeemed before maturity in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution, shall be canceled and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall then return such canceled Bonds to the District or may in accordance with law destroy such canceled Bonds and periodically furnish the District with certificates of destruction of such Bonds.

Section 3.9 Temporary Bonds.

(a) Following the delivery and registration of the Initial Bonds and pending the preparation of Definitive Bonds, the proper officers of the District may execute and, upon the District's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any denomination, substantially of the tenor of the Definitive Bonds in lieu of which they are delivered, without coupons and with such appropriate insertions, omissions, substitutions, and other variations as the officers of the District executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution.

(c) The District, without unreasonable delay, shall prepare, execute, and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and shall authenticate and deliver in exchange therefor Bonds of the same maturity and series, in definitive form, in the authorized denomination and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Holder.

Section 3.10 Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The District or the Paying Agent/Registrar may require the Holder of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed, or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas



and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder first:

- (i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction, or theft of such Bond;

- (ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the District harmless;

- (iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar, and any tax or other governmental charge that is authorized to be imposed; and

- (iv) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed, or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

**Section 3.11 Book-Entry Only System.** The Bonds issued in exchange for the Bonds initially issued to the Underwriter shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (c) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(a) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Bonds, as shown on the Register, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Bonds, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the registered owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of principal and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(b) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the District determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the District to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its

nominee, or in whatever name or names registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

(c) Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the District to DTC.

(d) Notice of Redemption.

(i) In addition to the notice of redemption otherwise required herein, the Paying Agent/Registrar shall give notice of redemption of the Current Interest Bonds by first class mail, postage prepaid at least 30 days prior to a Redemption Date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Current Interest Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual Redemption Date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Current Interest Bond who has not sent the Bonds in for redemption 60 days after the Redemption Date.

(ii) Each notice of redemption given by the Paying Agent/Registrar shall contain a description of the Current Interest Bonds to be redeemed including the complete name of the Current Interest Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the Redemption Date, the Redemption Price, the name of the Paying Agent/Registrar, and the address at which the Current Interest Bonds may be redeemed, including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the registered owners shall include a CUSIP number relating to each amount paid to such registered owner.

#### ARTICLE IV REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1 Limitation on Redemption. The Bonds shall be subject to redemption before their scheduled maturity as provided in the Pricing Certificate.

ARTICLE V  
PAYING AGENT/REGISTRAR

Section 5.1 Appointment of Paying Agent/Registrar.

(a) The District at all times shall maintain a paying agent and a registrar for the Bonds. The paying agent and registrar shall be one entity, and shall satisfy the qualifications herein described, for the performance of the duties hereunder. The Paying Agent/Registrar shall perform such duties on behalf of the District. Wells Fargo Bank, National Association, Austin, Texas, is hereby appointed Paying Agent/Registrar for such purposes.

(b) The President and the Vice President of the Board or either of them, and the Secretary and any Assistant or Acting Secretary of the Board, or any of them, are hereby authorized and directed to execute an agreement with the Paying Agent/Registrar for the Bonds. By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

Section 5.2 Qualifications of Paying Agent/Registrar. Every Paying Agent/Registrar appointed hereunder shall be a national or state banking institution, shall be an association or corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as, and perform the duties and services of, paying agent and registrar for the Bonds.

Section 5.3 Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the District will maintain a Paying Agent/Registrar that is qualified under Section 5.2 of this Resolution.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the District will promptly appoint a replacement.

Section 5.4 Termination of Paying Agent/Registrar.

(a) The District reserves the right to appoint a successor Paying Agent/Registrar by (i) filing with the Person then performing such functions a certified copy of a resolution or order giving 45 days notice of the termination of the agreement and appointing a successor; and (ii) causing not less than 45 days notice to be given to each Bondholder, specifying the substitution of another Paying Agent/Registrar, the effective date thereof, and the address of such successor, but no termination shall become effective until such successor shall have accepted the duties of the Paying Agent/Registrar hereunder by written instrument.

(b) If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

## ARTICLE VI FORM OF THE BONDS

### Section 6.1 Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article and the Pricing Certificate with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Resolution and the Pricing Certificate, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District or by the officers executing such Bonds, as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds. The Compounded Amount Table may be printed on or attached to the Capital Appreciation Bonds, but errors or omissions in the printing thereof or the numbers therein shall have no effect on the validity of such Bonds.

(b) The Definitive Bonds shall be typewritten, printed, lithographed, or engraved and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof. The Initial Bonds submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.2 Form of the Bonds. The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas (which shall only appear on the Initial Bond), the form of Certificate of the Paying Agent/Registrar (which shall only appear on the Definitive Bonds), and the form of Assignment appearing on the Bonds shall be substantially as follows:

(a) Form of Bonds.

NUMBER  
No. R-  
REGISTERED

DENOMINATION  
\$  
REGISTERED

[FORM OF HEADER AND FIRST THREE PARAGRAPHS  
OF CURRENT INTEREST BOND]

UNITED STATES OF AMERICA

STATE OF TEXAS  
TRAVIS COUNTY  
RIVER PLACE MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BONDS  
SERIES 2005

BOND DATE:            INTEREST RATE:            MATURITY DATE:            CUSIP NO.:

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

RIVER PLACE MUNICIPAL UTILITY DISTRICT, in Travis County, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the registered owner set forth above, or registered assigns (hereinafter called the "registered owner") the principal amount set forth above on the Maturity Date set forth above unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_.

THE PRINCIPAL OF THIS BOND shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the office in Austin, Texas, or such other location designated by the Paying Agent/Registrar (the "Place of Payment"), of the Paying Agent/Registrar executing the registration certificate appearing hereon or, with respect

to a successor paying agent/registrar, at the Place of Payment of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth day of the month next preceding such interest payment date.

IN THE EVENT OF A NONPAYMENT OF INTEREST on a scheduled payment date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the special payment date of the past due interest ("Special Payment Date"), which shall be 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

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[FORM OF HEADER AND FIRST TWO PARAGRAPHS OF CAPITAL APPRECIATION  
BOND]

NUMBER  
NO. CR- \_\_\_\_\_  
REGISTERED

PAYMENT AT MATURITY  
\$ \_\_\_\_\_  
REGISTERED

UNITED STATES OF AMERICA

STATE OF TEXAS  
TRAVIS COUNTY  
RIVER PLACE MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BONDS  
SERIES 2005

<u>DELIVERY DATE</u>	<u>INTEREST RATE</u>	<u>BOND DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
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REGISTERED OWNER:

MATURITY AMOUNT: \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_)

RIVER PLACE MUNICIPAL UTILITY DISTRICT, in Travis County, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the registered owner set forth above, or registered assigns (hereinafter called the "registered owner") on the Maturity Date specified above, the Maturity Amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Delivery Date at the interest rate per annum specified above, compounded semiannually on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table.

THE PAYMENT AT MATURITY of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Maturity Amount of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond on the Maturity Date at the principal corporate trust office of Wells Fargo Bank, National Association, Austin, Texas, which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required by the resolution authorizing the issuance of the Bonds (the "Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the registered owner hereof, as it appears on the Registration Books kept by the Paying



Agent/Registrar, as hereinafter described. The District covenants with the registered owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Debt Service Fund" created by the Resolution, the amounts required to provide for the payment, in immediately available funds of the Maturity Amount, when due.

(FORM OF REMAINDER OF EACH BOND)

IF THE DATE FOR THE PAYMENT of the principal or Maturity Amount of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Place of Payment is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

THIS BOND IS ONE OF A SERIES of fully registered Bonds specified in the title hereof issued in the aggregate principal amount of \$\_\_\_\_\_ (herein referred to as the "Bonds"), issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code and Chapter 1207 of the Texas Government Code, and a certain resolution of the District (the "Resolution") for the purpose of refunding the Refunded Obligations (as defined in the Resolution).

THE DISTRICT RESERVES THE RIGHT, at its option, to redeem the Current Interest Bonds maturing on and after \_\_\_\_\_, in whole or in part, prior to their ~~respective Stated Maturities, in integral multiples of \$5,000, on \_\_\_\_\_, or any date~~ thereafter at par plus accrued interest on the principal amounts called for redemption to the Redemption Date. If a Current Interest Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Current Interest Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Current Interest Bonds for redemption, the Paying Agent/Registrar shall treat each Current Interest Bond as representing that number of Current Interest Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000. The Paying Agent/Registrar shall select the particular Current Interest Bonds to be redeemed within any given maturity by lot or other random selection method. Upon surrender of any Current Interest Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of this Resolution, shall authenticate and deliver in exchange therefor a Current Interest Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Current Interest Bond or Bonds so surrendered. The Capital Appreciation Bonds of this series are not subject to optional redemption prior to maturity.

NOTICE OF ANY REDEMPTION identifying the Current Interest Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least 30

days prior to the Redemption Date by sending written notice by United States mail, first class, postage prepaid, to the Holder of each Current Interest Bond to be redeemed in whole or in part at the address shown on the Register. When Current Interest Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Current Interest Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Holders to collect interest which would otherwise accrue after the Redemption Date on any Current Interest Bond or portion thereof called for redemption shall terminate on the Redemption Date.

NOTICE OF REDEMPTION or redemptions shall be given by first class United States mail, postage prepaid, not less than 30 days before the Redemption Date, to the registered owner of each of the Current Interest Bonds to be redeemed in whole or in part. Notice having been so given, the Current Interest Bonds or portions thereof designated for redemption shall become due and payable on the Redemption Date specified in such notice; from and after such date, notwithstanding that any of the Current Interest Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Current Interest Bonds or portions thereof shall cease to accrue.

AS PROVIDED IN THE RESOLUTION and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Place of Payment with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest and for the same aggregate principal amount will be issued to the designated transferee or transferees.

NEITHER THE DISTRICT NOR THE PAYING AGENT/REGISTRAR shall be required to issue, transfer, or exchange any Current Interest Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Current Interest Bond.

THE DISTRICT, THE PAYING AGENT/REGISTRAR, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest on a Current Interest Bond shall be paid to the person in whose name the Current Interest Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions, and things required to be done precedent to and in the issuance of the Bonds have been

properly done and performed and have happened in regular and due time, form, and manner, as required by law.

IN WITNESS WHEREOF, the District has caused this Bond to be duly executed under its official seal.

\_\_\_\_\_  
Secretary, Board of Directors  
River Place Municipal Utility District

\_\_\_\_\_  
President, Board of Directors  
River Place Municipal Utility District

[SEAL]

(b) Form of Comptroller's Registration Certificate. (To be placed on the Initial Bond only.)

OFFICE OF THE COMPTROLLER      §  
OF PUBLIC ACCOUNTS               §      REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS           §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, that it is a valid and binding special obligation of River Place Municipal Utility District, and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of the State of  
Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar. (To be placed on the Definitive Bonds only.)

#### CERTIFICATE OF PAYING AGENT/REGISTRAR

It is hereby certified that this Bond has been delivered pursuant to the Resolution described in the text of this Bond, in exchange for or in replacement of a

Bond, Bonds, or a portion of a Bond approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Wells Fargo Bank, National Association,  
Austin, Texas

Date of Authentication:

\_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signature

(d) Form of Assignment.

### ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address, and zip code of transferee):

(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

The following abbreviations, when used in the inscription on the face of the within Bond or above Assignment, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Under the Uniform Gifts to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

(e) The District has made application to municipal bond insurance companies to have the payment of the principal of and the interest on the Bonds insured by a municipal bond guaranty insurance policy. Bond counsel for the District, with the approval of the Pricing Officer, has authority to insert into this Resolution any and all provisions required by the municipal bond insurance company insuring the payment of the principal of and the interest on the Bonds, consistent with the provisions of the Pricing Certificate.

(f) The Current Interest Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) in the header of the Bond, the blanks under the terms the "Interest Rate" and the "Maturity Date" shall be completed with the expression "As shown below," and the reference to CUSIP No. shall be deleted;

(ii) the first paragraph of the Bond shall be replaced with the following:

"RIVER PLACE MUNICIPAL UTILITY DISTRICT, in Travis County, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the registered owner set forth above, or registered assigns (hereinafter called the "registered owner") the principal amount set forth above in the amounts, on each of the dates, and bearing interest at per annum rates set forth in the following schedule" (with information from the Pricing Certificate to be used to complete the schedule) "unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for. The District also hereby promises to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the interest rates specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on \_\_\_\_\_ and \_\_\_\_\_ of each year, commencing \_\_\_\_\_."

(iii) in the second paragraph of the Bond, the words "executing the registration certificate appearing hereon" shall be deleted and an additional sentence shall be added to the paragraph as follows: "The initial Paying Agent/Registrar is Wells Fargo Bank, National Association, Austin, Texas."; and

(iv) the Current Interest Initial Bond shall be numbered T-1.

(g) The Capital Appreciation Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) in the header of the Bond, information regarding the blanks under the terms "Interest Rate," and "Maturity Date" shall be completed with the expression "As shown below," and the reference to "CUSIP No." shall be deleted;

- (ii) the first paragraph of the Bond shall be replaced with the following:

"RIVER PLACE MUNICIPAL UTILITY DISTRICT, in Travis County, Texas (the "District"), being a political subdivision of the State of Texas, hereby promises to pay to the registered owner set forth above, or registered assigns (hereinafter called the "registered owner") the Maturity Amount set forth above on each of the dates, and compounding interest as set forth in the following schedule," (with information from the Pricing Certificate be used to complete the schedule) "representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Delivery Date at the interest rate per annum specified in the schedule above, compounded semiannually on \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_. For convenience of reference, a table is attached to this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

- (iii) the Capital Appreciation Initial Bond shall be numbered CT-1.

Section 6.3 CUSIP Registration. The President of the Board may secure the printing of identification numbers on the Bonds through the CUSIP Service Bureau Division of Standard and Poor's Corporation, New York, New York.

Section 6.4 Legal Opinion. The opinion of Bond Counsel, Winstead Sechrest & Minick P.C., Austin, Texas, may be printed on the back of the Bonds with the certification of the Secretary of the Board which may be executed in facsimile.

## ARTICLE VII SALE AND DELIVERY OF BONDS

### Section 7.1 Sale of Bonds.

(a) The Bonds shall be sold and delivered to First Southwest Company (the "Underwriter"), pursuant to the Purchase Contract, at a price and under the terms set forth in the Pricing Certificate. Delivery of the Bonds to Underwriter shall occur as soon as possible upon payment being made therefor in accordance with the terms of the sale. Proceeds of the Bonds attributable to accrued interest and/or premium shall be deposited into the Debt Service Fund. Proceeds of the Bonds needed to refund the Refunded Obligations shall be deposited into the Escrow Fund to be created pursuant to the Escrow Agreement. All remaining proceeds of the Bonds shall be used for the payment of costs of issuance.

(b) Upon the registration of the Initial Bonds, the Comptroller of Public Accounts of the State of Texas is authorized and instructed to deliver the Initial Bonds to Winstead Sechrest & Minick P.C., or pursuant to such firm's order, for delivery to the Underwriter, the Paying Agent/Registrar, or to the District's depository.

(c) The obligation of the Underwriter to accept delivery of the Bonds is subject to the Underwriter being furnished with the final, approving opinion of Winstead Sechrest & Minick P.C., Bond Counsel for the District, which opinion shall be dated and delivered the Delivery Date.

Section 7.2 Approval of Official Statement. Prior to the execution of the Purchase Contract, the Pricing Officer, acting for and on behalf of the District, shall cause an official statement to be prepared for distribution by the Underwriter to prospective purchasers of the Bonds, such document to be in the form as such Pricing Officer may deem necessary or appropriate. The District hereby approves the distribution of the Official Statement in the reoffering of the Bonds by the Underwriter in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement dated February [22], 2005, prior to the date hereof is hereby ratified and confirmed.

Section 7.3 Control and Delivery of Bonds.

(a) The President of the Board is hereby authorized to have control of the Initial Bonds and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Underwriter thereof under and subject to the general supervision and direction of the President of the Board, against receipt by the District of all amounts due to the District under the terms of sale.

ARTICLE VIII  
REFUNDING OF REFUNDED OBLIGATIONS; USE OF  
BOND PROCEEDS; ISSUER CONTRIBUTION

Section 8.1 Refunding of Refunded Obligations. The District hereby irrevocably calls the Refunded Obligations for redemption prior to maturity as set forth in the Pricing Certificate, at the price of par plus accrued interest and authorizes and directs that notice of such redemption is to be given in accordance with the resolution authorizing the issuance of the Refunded Obligations.

Section 8.2 Approval of Escrow Agreement. The Escrow Agreement is hereby approved in substantially the form presented to the Board of Directors at the meeting at which this Resolution was adopted, and the Pricing Officer is hereby authorized to complete, amend, modify, and execute the Escrow Agreement, as necessary, and the Secretary or Assistant Secretary is authorized and directed to attest the Escrow Agreement, if required. In addition, the President or the General Manager of the District is authorized to purchase such federal securities, execute such subscriptions for the purchase of United States Treasury Securities, State and Local Government Series,

and to deposit such cash on hand of the District, as may be necessary for the Escrow Fund.

Section 8.3 Use of Bond Proceeds. Proceeds in the amount needed to refund the Refunded Obligations from the sale of Bonds shall be deposited with Wells Fargo Bank, National Association, (the "Escrow Agent"), to be held in the Escrow Fund, to be created pursuant to the Escrow Agreement, for the benefit of the Holders of the Refunded Obligations.

Section 8.4 District Contribution. The Pricing Officer is hereby authorized and directed to apply and there is hereby appropriated such money of the District as is necessary to fund the Escrow Fund to be established by the Escrow Agreement with amounts sufficient to provide for the defeasance of the Refunded Obligations on the Delivery Date. The District hereby agrees to wire such money on the Delivery Date to the Escrow Agent.

## ARTICLE IX FUNDS; FLOW OF FUNDS

### Section 9.1 Debt Service Fund.

(a) The District hereby establishes a separate and special account or fund on the books and records of the District known as the "Series 2005 Debt Service Fund" (the "Debt Service Fund") for the purpose of providing funds to pay the principal of, Redemption Price, if any, and interest on the Bonds as the same becomes due and payable, and all money deposited to the credit of the Debt Service Fund shall be held in a special banking fund or account maintained at an official depository of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust by the District for the benefit of the Holders of the Bonds. There may be created within the Debt Service Fund such accounts and subaccounts as the District deems necessary or desirable.

(b) Accrued interest and/or premium on the Current Interest Bonds shall be deposited into the Debt Service Fund upon receipt.

Section 9.2 Operating Fund. (a) The District hereby confirms the prior creation and continuing maintenance of the District's Operating Fund (the "Operating Fund").

(b) The District hereby covenants and agrees that Gross Revenues of the System (excluding earnings and income derived from investments held in the Debt Service Fund) shall be deposited as collected to the credit of the Operating Fund, and such revenues of the System shall be kept separate and apart from all other funds of the District.

(c) All revenues deposited in the Operating Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:



(i) To the payment of all Maintenance and Operating Expenses as defined herein.

(ii) To the payment of the amounts required to be deposited in the Debt Service Fund for the Bonds and the "Debt Service Fund" for the payment of debt service on the Previously Issued Bonds, respectively, as the same becomes due and payable.

(iii) Any Net Revenues remaining in the Operating Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used by the District for any lawful purpose related to the System.

### Section 9.3 Investments; Security of Funds.

(a) Money in any fund established pursuant to this Resolution may, at the option of the District, be invested in obligations and in the manner prescribed by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, including investments held in book-entry form; provided, that, all such deposits and investments shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

(b) Money in all funds created by this Resolution shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, including Chapter 2257, Texas Government Code, as amended.

## ARTICLE X CONSOLIDATION OF THE DISTRICT

Section 10.1 Consolidation of District. The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right, subject to the terms of any agreements now or hereinafter existing with the City, to:

(a) consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (hereinafter for purposes of this Section called the "Consolidated System");

(b) apply the Net Revenues from the operation of a Consolidated System to the payment of principal, Redemption Price, if any, and interest on the Bonds, the Previously Issued Bonds, and any other combination tax and revenue bonds or other obligations secured solely or primarily by such Net Revenues of the District and of the district or districts with which the District is consolidating (the "Consolidating Districts") without preference to any series of bonds or obligations (except bonds or obligations

with a subordinate lien on the Net Revenues, which shall continue to be subordinate); and

(c) pledge the Net Revenues of the Consolidated System to the payment of principal, premium, if any, and interest on bonds or obligations which may be issued by the Consolidating Districts on a parity with the outstanding revenue bonds or obligations of the Consolidating Districts so long as the requirements for Additional Bonds are met.

## ARTICLE XI ADDITIONAL AND REFUNDING BONDS

Section 11.1 Additional Bonds. The District expressly reserves the right, subject to the terms of any agreements now or hereinafter existing with the City, to issue, in one or more installments, for the purpose of completing, repairing, improving, extending, enlarging, or replacing the System or any other lawful purpose, the following (collectively, the "Additional Bonds"):

(a) The District reserves the right to issue bonds payable solely from Net Revenues of the System, and such bonds may be payable from and equally secured by a lien on and pledge of said Net Revenues on a parity with the pledge to the Bonds and the Previously Issued Bonds to the extent Net Revenues are used to pay the principal of an interest on such bonds;

(b) The District reserves the right to issue inferior lien bonds and to pledge the Net Revenues to the payment thereof, such pledge to be subordinate in all respects to the lien of the Bonds, the Previously Issued Bonds, and any Additional Bonds which are on a parity with the Bonds and the Previously Issued Bonds; and

(c) The District further reserves the right to issue special project bonds under a contract or contracts with persons, corporations, municipal corporations, or political subdivisions, such special project bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds.

(i) Refunding Bonds; Defeasance. (a) Except to the extent provided in subsection (c) of this Section, any Bond, and the interest thereon, shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to a person described by Section 1207.061(a), Texas Government Code, as amended (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit made under Section 1207.061, Texas Government Code, as amended, for such payment (the "Deposit") (A) lawful money of the United

States of America sufficient to make such payment or (B) Government Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause an Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depositary.

(ii) In connection with any defeasance of the Bonds, the District shall cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depositary to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification"); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the chief financial officer of the District certifying that the amount deposited with a Depositary is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the District shall also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required hereunder shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds shall remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

(iii) At such time as an Bond shall be deemed to be a Defeased Bond hereunder, and all herein required criteria have been met, such Bond and the interest thereon shall no longer be outstanding or unpaid and shall no longer be entitled to the benefits of the pledge of the security interest granted under this Resolution, and such principal and interest shall be payable solely from the Deposit of money or Government Obligations. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Current Interest Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangement, expressly reserves the right to call the Current Interest Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Current Interest Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes.

(iv) (b) Any money so deposited with a Depositary may at the written direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by a Depositary which is not required for the

payment of the Defeased Bonds and interest thereon, with respect to which such money has been so deposited, shall be used as directed in writing by the District.

(v) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by this Resolution.

## ARTICLE XII COVENANTS OF THE BOARD REGARDING THE SYSTEM

Section 12.1 Covenants. The Board of Directors, on behalf of the District, expressly stipulates and covenants that, for the benefit of the Underwriter and any and all subsequent registered owners of the Bonds (and enforceable by any one or all of said registered owners), in addition to all other provisions hereof, it will:

(a) Fix and maintain rates and collect charges for the facilities and services rendered by the District which, together with any taxes levied for maintenance purposes, will provide revenues sufficient at all times to pay all reasonable administration expenses of the District and all efficient operation and adequate maintenance expenses of the System. The Board has enacted and will maintain in effect an order fixing rates and charges for services which contains, among other provisions, a requirement for periodic billing of all customers of the District and a prohibition against the furnishing of water or sewer service without charge to any person, firm, organization, or corporation.

(b) Subject to the provisions of Article II of this Resolution, levy an ad valorem tax that will be ample and sufficient to provide funds to pay the interest on the Bonds and to provide the necessary sinking fund.

(c) Not mortgage or otherwise encumber the physical properties of the System, nor sell, lease, or otherwise dispose of any substantial portion of such physical properties, unless said properties of the System are deemed by the Board of Directors of the District to be unnecessary to the operation of the System.

(d) Maintain the System in good condition and operate it in an efficient manner and at a reasonable cost.

(e) Maintain insurance on the System of a kind and in an amount which usually would be carried by municipal corporations and political subdivisions in Texas operating similar facilities.

(f) Keep accurate records and accounts and employ an independent certified public accountant of recognized integrity and ability to direct the installation of the required accounting procedures and to audit its affairs at the close of each fiscal year. The fiscal year of the District is from October 1 to September 30 of the following year, or such other fiscal year as the Board of Directors may hereafter designate. Said audits

shall include a statement in detail of the income and expenditures of the System for each year; a balance sheet as of the end of the year; the auditor's comments regarding the manner in which the District has carried out the requirements of all bond resolutions and orders; his recommendations, if any, for changes or improvements in the operation of the District's plants, facilities, and improvements; a list of insurance policies in force as of the date of the audit including the amount, expiration date, risk covered, and name of the insurer for each such policy; and the number of properties connected to the System as of the end of the fiscal year. The audit report shall be delivered to each member of the Board not later than 120 days after the close of each fiscal year, and shall be retained and filed in the office of the auditor. Copies of said audit shall be filed as required by law and maintained in the office of the District, available for inspection by any interested person or persons during normal office hours.

### ARTICLE XIII TAX EXEMPTION

Section 13.1 Provisions Concerning Federal Income Tax Exclusion. The District covenants to take any action to maintain, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in "gross income" for federal income tax purposes. In furtherance thereof, the District specifically covenants as follows:

(i) To refrain from taking any action which would result in the Bonds being treated as "private activity bonds" within the meaning of section 141(a) of the Code;

(ii) To take any action to assure that no more than 10% of the proceeds of the Bonds or the projects financed therewith are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10% of the proceeds or the projects financed therewith are so used, that amounts, whether or not received by the District with respect to such private business use, do not under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10% of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(iii) To take any action to assure that in the event that the "private business use" described in paragraph (ii) hereof exceeds 5% of the proceeds of the Bonds or the projects financed therewith, then the amount in excess of 5% is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(iv) To take any action to assure that no amount which is greater than the lesser of \$5,000,000 or 5% of the proceeds of the Bonds is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(v) To refrain from taking any action which would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(vi) Except to the extent permitted by section 148 of the Code and the regulations and rulings thereunder, to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds;

(vii) To otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(viii) Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder, to pay to the United States of America at least once during each five year period (beginning on the Delivery Date of the Bonds) an amount that is at least equal to 90% of the "Excess Earnings," within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100% of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(ix) To maintain such records as will enable the District to fulfill its responsibilities under this subsection and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

The covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such noncompliance, in the opinion of nationally-recognized bond counsel, will not adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code.

Proper officers of the District charged with the responsibility of issuing the Bonds are hereby authorized and directed to execute any documents, certificates, or reports required by the Code and to make such elections, on

behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Notwithstanding any other provision in this Resolution, to the extent necessary to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code the covenants contained in this subsection shall survive the later of the defeasance or discharge of the Bonds

Section 13.2 Covenants Regarding Sale, Lease, or Disposition of Financed Property. The District covenants that the District will regulate the use of the property financed, directly or indirectly, with the proceeds of the Bonds and will not sell, lease, or otherwise dispose of such property unless (i) the District takes the remedial measures as may be required by the Code and the regulations and rulings thereunder in order to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code or (ii) the District seeks the advice of nationally-recognized bond counsel with respect to such sale, lease, or other disposition

Section 13.3 Designation as Qualified Tax-Exempt Obligations. The District hereby designates the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the District represents, covenants, and warrants the following: (a) during the calendar year in which the Bonds are issued, the District (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) the District reasonably anticipates that the amount of tax-exempt obligations issued during 2005 by the District (including any subordinate entities) will not exceed \$10,000,000; and (c) the District will take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations."

#### ARTICLE XIV DEFAULT AND REMEDIES

In addition to all of the rights and remedies provided by the laws of the State of Texas, the District further covenants and agrees that in the event of default in payment of principal or Maturity Amount or interest on any of the Bonds when due, or in the event it fails to make the payments required to be made into the Debt Service Fund or any other fund or defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations, or conditions prescribed in this Resolution. Any delay or omission to exercise any right or power occurring upon any default shall not impair any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. All such proceedings shall be instituted and maintained for the equal benefit of all Bondholders.

## ARTICLE XV DISTRICT OFFICERS' DUTIES

(a) The President and Secretary of the Board of Directors are hereby instructed and directed to do any and all things necessary in reference to the installation, completion, and maintenance of the District's plants, facilities, and improvements and to make money available for the payment of the Bonds in the manner provided by law.

(b) The President of the Board of Directors shall submit the Bonds, the record of the proceedings authorizing the issuance of the Bonds, and any and all other necessary orders, certificates, and records to the Attorney General of the State of Texas for his investigation. After obtaining the approval of the Attorney General, the President of the Board of Directors shall cause the Bonds to be registered by the Comptroller of Public Accounts of the State of Texas.

(c) The President, Vice President, Secretary, Assistant Secretary of the Board of Directors, and the General Manager are authorized to do any and all things proper and necessary to carry out the intent of this Resolution.

## ARTICLE XVI CONTINUING DISCLOSURE

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

(b) Annual Reports. The District shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year, financial information and operating data with respect to the District which it customarily prepares and of the general type described in EXHIBIT A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in EXHIBIT A hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the District commissions an audit of such statements and the audit is completed within the



period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements by the required time, and will provide audited financial statements for the applicable fiscal year to [Insurer], each NRMSIR, and any SID, when and if the audit report on such statements become available.

If the District changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this paragraph (b).

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR, any SID, or filed with the SEC. The Municipal Advisory Council of Texas has also received Securities and Exchange Commission approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the District. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at [www.DisclosureUSA.com](http://www.DisclosureUSA.com) ("Disclosure USA"). The District may utilize DisclosureUSA for the filing of information relating to the Bonds.

(c) Material Event Notices. The District shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;

- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The District shall notify each NRMSIR or the MSRB, and any SID, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with paragraph (b) of this Section by the time required by such paragraph.

(d) Limitations, Disclaimers, and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with the provisions of this Resolution that causes Bonds no longer to be Outstanding.

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under this Section shall comprise a breach of or default under the Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of this Section may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also amend or repeal the provisions of this Resolution relating to continuing disclosure if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

## ARTICLE XVII BOND INSURANCE

Section 17.1 Bond Insurance. The District has made application to municipal bond insurance companies to have the payment of the principal of and the interest on the Bonds insured by a municipal bond guaranty insurance policy. The Pricing Certificate shall contain provisions relating to the purchase of municipal bond insurance, if municipal bond insurance is to be purchased in connection with the issuance of the Bonds. Bond counsel for the District, with the approval of the Pricing Officer, has authority to insert into this Resolution any and all provisions required by the municipal bond insurance company insuring the payment of the principal of and the interest on the Bonds.

## ARTICLE XVIII MISCELLANEOUS

Section 18.1 District's Successors and Assigns. Whenever in this Resolution the District is named and referred to, it shall be deemed to include its successors and assigns, and all covenants and agreements in this Resolution by or on behalf of the District, except as otherwise provided herein, shall bind and inure to the benefit of its successors and assigns whether or not so expressed.

Section 18.2 Benefits of Resolution Provisions. Nothing in this Resolution or in the Bonds, expressed or implied, shall give or be construed to give any person, firm, or

corporation, other than the District, the Paying Agent/Registrar, and the Bondholders any legal or equitable right or claim under or in respect of this Resolution, or under any covenant, condition, or provision herein contained, all the covenants, conditions, and provisions contained in this Resolution or in the Bonds being for the sole benefit of the District, the Paying Agent/Registrar, and the Bondholders. Notwithstanding anything to the contrary herein, to the extent that this Resolution confers upon or gives or grants Ambac Assurance any right, remedy, or claim under or by reason of this Resolution, Ambac Assurance is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy, or claim conferred, given, or granted hereunder.

Section 18.3 Severability Clause. If any word, phrase, clause, sentence, paragraph, section, or other part of this Resolution, or the application thereof to any person or circumstance, shall ever be held to be invalid or unconstitutional by any court of competent jurisdiction, the remainder of this Resolution and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Resolution to any other persons or circumstances shall not be affected thereby.

Section 18.4 Open Meeting. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place, and purpose of said meeting was properly given, all as required by Chapter 551, Texas Government Code, and Section 49.063, Texas Water Code, as amended.

Section 18.5 No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Bonds.

Section 18.6 Amendments.

(a) This Resolution shall constitute a contract with the Bondholders entered into upon the initial purchase of the Bonds, shall be binding on the District and its successors and assigns whether or not so expressed, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section.

(b) The District may, without the consent of or notice to any Bondholder, from time to time and at any time, amend this Resolution in any manner that the District determines is not detrimental to the interests of the Bondholders, for the purpose of (i) the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein; (ii) the granting or confirming upon the Holders of the Bonds and the Previously Issued Bonds additional rights, powers, or authority; or (iii) the pledge of additional revenues, property, or collateral as security for the payment of the Bonds and the Previously Issued Bonds. In addition, the District may amend, add to, or rescind any of the provisions of this Resolution; except that, notwithstanding the foregoing, without the consent of the Holders of all of the affected Outstanding Bonds, no such amendment,

addition, or rescission shall (1) change the Stated Maturity of the Bonds or any Interest Payment Date for an installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify the provisions of the proviso to the definition of the term "Outstanding", or (4) modify any of the provisions of this Section, except to provide that certain other provisions of this Resolution cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

(c) Any consent to any amendment hereof by the Bondholder shall bind every future Holder of the same Bond and the Holder of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 18.7 Notice to Bondholders. Except as may be otherwise provided in this Resolution, where this Resolution provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder, at the address of such Bondholder as it appears in the Register. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of Bonds shall affect the sufficiency of such notice with respect to all other Bondholders. Wherever this Resolution provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the District, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

## ARTICLE XIX EFFECTIVENESS

Section 19.1 Effectiveness. This Resolution shall take effect and be in force from and after its passage and approval.

(Remainder of this page intentionally left blank)

PASSED AND APPROVED on this February 22, 2005.

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

[SIGNATURE PAGE FOR BOND RESOLUTION]

## **EXHIBIT A**

The following information is referred to in Article XVI of this Resolution:

### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the District to be provided annually in accordance with such Article XVI are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

Tables 1 through 12 of the Official Statement.

Appendix A to the Official Statement (financial statements for the last completed fiscal year which will be unaudited, unless an audit is performed in which event the audited financial statements will be made available)

### **Accounting Principles**

The accounting principles referred to in such Article XVI are the accounting principles described in the notes to the financial statements referred to in paragraph above.

## **EXHIBIT B**



## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2005

Ratings: Moody's "\_\_\_\_", S&amp;P "\_\_\_\_"

**NEW ISSUE -- BOOK ENTRY ONLY** See "MUNICIPAL BOND RATINGS" AND "BOND INSURANCE" herein.

IN THE OPINION OF WINSTEAD SECHREST & MINICK P.C., BOND COUNSEL, UNDER EXISTING LAW, AND ASSUMING COMPLIANCE WITH CERTAIN COVENANTS AND THE ACCURACY OF CERTAIN REPRESENTATIONS, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX IMPOSED ON INDIVIDUALS AND CORPORATIONS; HOWEVER, INTEREST ON THE BONDS WILL BE INCLUDED IN THE "ADJUSTED CURRENT EARNINGS" OF A CORPORATION (OTHER THAN AN S CORPORATION, REGULATED INVESTMENT COMPANY, REIT, REMIC, OR FASIT) FOR PURPOSES OF COMPUTING ITS ALTERNATIVE MINIMUM TAX LIABILITY. SEE "TAX MATTERS," HEREIN.

**THE DISTRICT WILL DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS-QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS."**

**\$5,380,097.60\***

**RIVER PLACE MUNICIPAL UTILITY DISTRICT**  
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

**Unlimited Tax and Revenue Refunding Bonds, Series 2005**

Interest accrues from:

Due: September 1, as shown below

March 1, 2005 for the Current Interest Bonds

**Date of Delivery for the Capital Appreciation Bonds**

Interest on the Bonds maturing on September 1, in each of the years 2006 through 2009, inclusive, (the "Capital Appreciation Bonds"), will accrete from the date of delivery, will be compounded each September 1 and March 1 of each year, commencing September 1, 2005, and will be payable only upon maturity. See "APPENDIX B - Schedule of Accreted Values." Interest on the Bonds maturing on September 1 in each of the years 2005, and 2010 through 2019 inclusive, (the "Current Interest Bonds"), will accrue from March 1, 2005, and will be payable September 1 and March 1 of each year, commencing September 1, 2005. The Current Interest Bonds and the Capital Appreciation Bonds are sometimes collectively referred to herein as the "Bonds." The definitive Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the paying agent/registrars to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar"). The Bonds will be issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of \$5,000 of principal amount or integral multiples thereof, and the Capital Appreciation Bonds will be issued in amounts which mature in \$5,000 denominations, or integral multiples thereof, including both principal and interest. See "APPENDIX B - Schedule of Accreted Values."

The Bonds are being issued to advance refund a portion of the District's outstanding Unlimited Tax and Revenue Bonds, Series 1995 and Unlimited Tax and Revenue Bonds, Series 2002 and pay the costs of issuing the Bonds. See "PLAN OF FINANCING." The Current Interest Bonds maturing 2012 through 2019, inclusive, are subject to redemption on September 1, 2011 and any date thereafter. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturities.

**MATURITIES**  
**\$4,950,000\***  
**Current Interest Bonds**

Principal Amount	Interest Rate	Maturity September 1	Initial Reoffering Yield (a)	CUSIP Number ©
\$ 45,000	_____ %	2005	_____ %	
	_____ %	2010	_____ %	
530,000				
565,000	_____ %	2011	_____ %	
575,000	_____ %	2012 <sup>(b)</sup>	_____ %	
610,000	_____ %	2013 <sup>(b)</sup>	_____ %	
620,000	_____ %	2014 <sup>(b)</sup>	_____ %	
660,000	_____ %	2015 <sup>(b)</sup>	_____ %	
325,000	_____ %	2016 <sup>(b)</sup>	_____ %	
320,000	_____ %	2017 <sup>(b)</sup>	_____ %	
340,000	_____ %	2018 <sup>(b)</sup>	_____ %	
360,000	_____ %	2019 <sup>(b)</sup>	_____ %	

(Accrued Interest to be Added)

**\$430,097.60\***  
**Capital Appreciation Bonds**

Initial Offering Price	Original Principal Amount	Maturity (September 1)	Purchase Price per \$5,000 at Maturity	Initial Reoffering Yield <sup>(n)</sup>	Total Payment at Maturity <sup>(d)</sup>	CUSIP Number ©
\$ _____	\$63,253.60	2006	\$ _____	_____ %	\$ _____	
_____		2007	_____	_____ %	_____	
	53,693.60					
_____	168,067.40	2008	_____	_____ %	_____	
_____	145,083.00	2009	_____	_____ %	_____	

(No Accrued Interest)

- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Underwriter, and may subsequently be changed. Accrued interest from March 1, 2005 is to be added to the price of the Current Interest Bonds. Initial reoffering yields represent the initial offering price to the public of a substantial amount of the Bonds of each maturity which may be changed for subsequent purchasers.
- (b) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Current Interest Bonds maturing September 1, 2012 through 2019, inclusive, in whole or from time to time in part, on September 1, 2011, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the dated fixed for redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. See "THE BONDS – Redemption".
- (c) CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Interest is compounded semiannually, commencing September 1, 2005 and payable only at stated maturity.

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject to the approval of the Attorney General of the State of Texas and the legal opinion of Winstead Sechrest & Minick P.C., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its legal counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on April 14, 2005.

[UNDERWRITER]

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## SALE AND DISTRIBUTION OF THE BONDS

### Use of Official Statement

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an official statement of the District with respect to the Bonds that has been deemed "final" by the District as of the date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE DISTRICT MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

#### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of municipal utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

#### **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

### THE DISTRICT

- The Issuer ..... River Place Municipal Utility District (the "District"), of Travis County, Texas, a political subdivision of the State of Texas (the "State"), as authorized by Article XVI, Section 59 of the Texas Constitution, was created in 1985 by the Texas Water Commission, now known as the Texas Commission on Environmental Quality ("TCEQ" or the "Commission"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT".
- Location..... The District currently contains approximately 970.40 acres of land and is located in northwestern Travis County approximately one mile south of the intersection of Ranch Road 620 and Ranch-to-Market Road 2222 and lies approximately ten miles north of the City of Austin's (the "City" or "Austin") Central Business District. Approximately 20.93 acres of land within the District lies wholly within the city limits of Austin, and the District's remaining 927.94 acres lie wholly within the extraterritorial jurisdiction of Austin. See "THE DISTRICT."
- Status of Development ..... Of the total ~~1,000~~ acres within the District, an approximately ~~100~~ acres are developable, of which approximately ~~50~~ have been developed with utility facilities. As of ~~February 1, 2005~~ approximately ~~1,000~~ acres have been developed as various residential subdivisions and 171.58 acres have been developed as various amenities. Residential improvements within such subdivisions include ~~50~~ completed homes, ~~50~~ homes under construction, and ~~50~~ vacant single family lots. In addition, the District contains an 18-hole golf course, a 40,000 square foot clubhouse (which includes a restaurant, conference and banquet facilities, administrative offices, a fitness center, men's and women's locker rooms and a pro shop), five lighted tennis courts, and a junior Olympic swimming pool. The District has completed a 5.32 acre park and a 7.23 acre park and nature trail. The parks include pavilions, multipurpose fields, basketball courts, lighted tennis courts, and picnic areas. See "THE DISTRICT - Historical and Current Status of Development." **TO BE UPDATED**

### THE BONDS

- Description ..... The Current Interest Bonds are serial bonds in the aggregate principal amount of \$4,950,000\* maturing annually in varying amounts on September 1 of each year in 2005 and 2010 through 2019, inclusive. Interest accrues on the Current Issue Bonds from March 1, 2005 at the rates per annum set forth on the cover page hereof and is payable September 1, 2005 and each March 1 and September 1 thereafter until maturity. The Capital Appreciation Bonds will be issued in the original principal amount of \$430,097.60\* and will mature together with interest accreted from initial delivery, in varying amounts in the years 2006 through 2009, inclusive. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the rates per annum set forth on the cover page hereof and compounds each March 1 and September 1 commencing September 1, 2005 until maturity. The Current Interest Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity, and the Capital Appreciation Bonds are offered in fully registered form in denominations which result in total amounts due at maturity in integral multiples of \$5,000. See "THE BONDS - General Description."

- Redemption** ..... The Current Interest Bonds maturing 2012 through 2019, inclusive, are subject to redemption prior to maturity in whole or from time to time in part at the option of the District on September 1, 2011 and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. See "THE BONDS - Redemption."
- Source of Payment** ..... The Bonds are payable from an ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District. See "TAXING PROCEDURES." The Bonds are further payable from and are secured by a pledge of certain Net Revenues (herein defined), if any, the District receives in connection with the water, sanitary sewer and drainage system (the "System") within the District. It is not expected that the operation of the System will produce net revenues sufficient to make any substantial contribution to the District's debt service requirements. The Bonds are obligations solely of the District and are not obligations of the State; Travis County, Texas; the City of Austin, Texas; or any other political subdivision or entity other than the District. See "THE BONDS - Source of Payment."
- Payment Record** ..... The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT - Outstanding Bonds."
- Authority for Issuance** ..... The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended and pursuant to a resolution adopted by the Board of Directors of the District (the "Board") and a pricing certificate executed by the pricing officer as authorized in the resolution (the resolution and the pricing certificate, collectively, are referred to herein as the "Bond Resolution"). See "THE BONDS - Authority for Issuance."
- Use of Proceeds** ..... Proceeds from the sale of the Bonds will be used to establish an escrow fund to advance refund an aggregate principal amount of \$2,260,000\* of the District's Series 1995, Unlimited Tax and Revenue Bonds, and an aggregate principal amount of \$2,950,000\* of the District's Series 2000 Unlimited Tax and Revenue Bonds (the "Refunded Bonds"), for a total of \$5,210,000\* aggregate principal amount, and to pay costs of issuance of the Bonds. SEE "PLAN OF FINANCING - The Refunded Bonds," and "-Estimated Sources And Uses Of Funds."

#### **Bonds Authorized But**

**Unissued** The District has previously issued four installments of the \$27,000,000 in bonds authorized at an election held within the District on August 10, 1985, for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. Pursuant to an agreement (the "Consent Agreement") between the City of Austin and the District allowing for the creation of the District and issuance of bonds by the District, the District cannot issue bonds in excess of \$15,250,000 for developer reimbursement purposes. The Consent Agreement can be amended with the consent of all parties thereto. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN." The Bonds are issued pursuant to the Bond Resolution, an ordinance of the City of Austin, the Texas Constitution and the general laws of the State. See "THE BONDS - Authority for Issuance," and "- Issuance of Additional Debt."

#### **Municipal Bond Rating**

**and Insurance** In connection with the sale of the Bonds, the District has made application to Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation, a division of the McGraw-Hill Companies ("S&P") for a municipal bond rating and has received ratings of "\_\_\_\_" and "\_\_\_\_", respectively, as a result of an insurance policy issued by \_\_\_\_\_. Additionally, the Bonds and the District's outstanding bonds have received underlying ratings of "\_\_\_\_" and "\_\_\_\_" from Moody's and S&P, respectively. The District's Series 1995, 1998, 2000 and 2002 bonds were also rated "Aaa" and "AAA" by Moody's and S&P, respectively, based upon the issuance of insurance policies by Ambac Assurance Company ("Ambac"), Financial Guaranty Insurance Corporation ("FGIC"), and



Financial Security Assurance Inc. ("FSA"). An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

**Qualified Tax-Exempt**

- Obligations ..... The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2005 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
  
- Bond Counsel..... Winstead Sechrest & Minick P.C., Austin, Texas.
  
- Underwriters' Counsel..... McCall, Parkhurst & Horton L.L.P., Austin, Texas.
  
- Financial Advisor..... Southwest Securities, Inc., Austin, Texas
  
- Enginner ..... Gray Jansing & Associates, Inc., Austin, Texas
  
- Verification Agent ..... McGladrey & Pullen, L.L.P., Minneapolis, Minnesota, Certified Public Accountants

**INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

\*Preliminary; subject to change.

# SELECTED FINANCIAL INFORMATION

(Unaudited as of February 15, 2005)

2004 Assessed Valuation (100% of estimated market value) .....	\$337,577,313	(a)
Estimated Assessed Valuation as of January 1, 2005.....	\$ <u>337,577,313</u>	(b)
Gross Debt Outstanding (after issuance of the Bonds and exclusion of the Refunded Bonds)....	\$11,649,781*	
Ratio of Gross Debt to 2004 Assessed Valuation .....	3.45%*	
Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2005 .....	<u>3.45</u> %*	
2004 Tax Rate		
Debt Service .....	\$0.3800	
Maintenance & Operation.....	\$0.1200	
Total .....	<u>\$0.5000</u>	
Debt Service Fund Balance .....	\$1,363,781	°
Average percentage of current tax collections - Tax Year 2002/2004 .....	99.51%	
Average percentage of total tax collections - Tax Year 2002/2004 .....	99.78%	
Projected Average Annual Debt Service Requirement (2005-2019) of the Bonds and the Remaining Outstanding Bonds ("Projected Average Requirement")	\$1,052,357*	
<b>Tax rate required to pay Projected Average Requirement based upon</b>		
2004 Assessed Valuation at 95 % collections	\$0.33/\$100	A.V.
<b>Tax rate required to pay Projected Average Requirement based upon</b>		
Estimated Assessed Valuation as of January 1, 2005 at 95% collections	\$ <u>0.33</u> /\$100	A.V.
Projected Maximum Annual Debt Service Requirement (2013) of the Bonds and the Remaining Outstanding Bonds ("Projected Maximum Requirement")	\$1,313,885*	
<b>Tax rate required to pay Projected Maximum Requirement based upon</b>		
2004 Assessed Valuation @ 95 % collections	\$0.41/\$100	A.V.
<b>Tax rate required to pay Projected Maximum Requirement based upon</b>		
Estimated Assessed Valuation as of January 1, 2005 at 95% collections .....	\$ <u>0.41</u> /\$100	A.V.
Number of active single family connections as of February 15, 2005 .....	921	
Estimated population as of February 15, 2005 .....	3,224 (d)	

(a) As certified by the Travis County Appraisal District ("TCAD"). See "TAXING PROCEDURES."

(b) As provided by TCAD and is included solely for purposes of illustration. Such amount reflects an estimate of the taxable value within the District and is subject to review and change by TCAD. No tax will be levied until an appraised value is certified by TCAD. See "TAXING PROCEDURES."

(c) Unaudited as of January 20, 2005. Neither State law nor the Bond Resolution requires that the District maintain any particular sum in the District's debt service funds.

(d) Based on 3.5 residents per active single family connection.

## OFFICIAL STATEMENT

relating to

**\$5,380,097.60\***

### **RIVER PLACE MUNICIPAL UTILITY DISTRICT**

**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

#### **Unlimited Tax and Revenue Refunding Bonds, Series 2005**

##### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by the River Place Municipal Utility District (the "District") of its \$5,380,097.60\* Unlimited Tax and Revenue Refunding Bonds, Series 2005 (the "Bonds").

The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District, the pricing certificate executed by the pricing officer as authorized in the resolution (the resolution and the pricing certificate, collectively, are referred to herein as the "Bond Resolution"), and pursuant to the Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 1207, Texas Government Code, as amended.

Included in this Official Statement are descriptions of the Bonds, the Bond Resolution, the Plan of Financing and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District upon payment of duplication costs.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

##### **PLAN OF FINANCING**

###### **Purpose**

At an election held within the District on August 10, 1985, the District's voters authorized the issuance of an aggregate principal amount of \$27,000,000 of unlimited tax and revenue bonds for the construction of the District's water, sanitary sewer and drainage system. In accordance with said authorization, the District has heretofore issued \$3,900,000 Unlimited Tax and Revenue Bonds, Series 1994 (the "Series 1994 Bonds"); \$4,000,000 Unlimited Tax and Revenue Bonds, Series 1995 (the "Series 1995 Bonds"); \$2,700,000 Unlimited Tax and Revenue Bonds, Series 1998 (the "Series 1998 Bonds"); \$4,650,000 Unlimited Tax and Revenue Bonds, Series 2000 (the "Series 2000 Bonds"); and \$2,724,683.80 Unlimited Tax and Revenue Refunding Bonds, Series 2002 ("Series 2002 Bonds"). Pursuant to an agreement (the "Consent Agreement") between the City of Austin and the District allowing for the creation of the District and issuance of bonds by the District, the District cannot issue bonds in excess of \$15,250,000 for developer reimbursement purposes. The Consent Agreement can be amended with the consent of all parties thereto. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN." All of the previously issued series of bonds are collectively referred to as the "Outstanding Bonds." The District reserves the right to issue the remaining \$11,750,000 authorized but unissued bonds.

The Bonds are being issued to achieve a debt service savings in the years 2005 through 2019, inclusive, by refunding \$5,210,000\* of the District's Series 1995 Unlimited Tax and Revenue Bonds and Series 2000 Unlimited Tax and Revenue Bonds (the "Refunded Bonds"). See "PROJECTED DEBT SERVICE REQUIREMENTS."

### The Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth below.

	<b>Series 1995 Bonds*</b>	<b>Redemption</b>	<b>Redemption</b>
	<b><u>Due September 1</u></b>	<b><u>Date</u></b>	<b><u>Price</u></b>
2008	220,000	September 1, 2005	Par
2009	235,000	September 1, 2005	Par
2010	250,000	September 1, 2005	Par
2011	270,000	September 1, 2005	Par
2012	290,000	September 1, 2005	Par
2013	310,000	September 1, 2005	Par
2014	330,000	September 1, 2005	Par
2015	<u>355,000</u>	September 1, 2005	Par
<b>Subtotal</b>	<b>2,260,000*</b>		

	<b>Series 2000 Bonds*</b>	<b>Redemption</b>	<b>Redemption</b>
	<b><u>Due September 1</u></b>	<b><u>Date</u></b>	<b><u>Price</u></b>
2010	225,000	September 1, 2007	Par
2011	250,000	September 1, 2007	Par
2012	250,000	September 1, 2007	Par
2013	275,000	September 1, 2007	Par
2015	575,000	September 1, 2007	Par
2017	650,000	September 1, 2007	Par
2019	<u>725,000</u>	September 1, 2007	Par
<b>Subtotal</b>	<b>\$2,950,000*</b>		

**TOTAL \$5,210,000\***

### Remaining Outstanding Bonds

The following bonds will remain outstanding after issuance of the Bonds (collectively, the "Remaining Outstanding Bonds"):

	<b>Series 1995</b>	<b>Series 1998</b>	<b>Series 2000</b>	<b>Series 2002</b>	<b>Series 2005*</b>	<b>Total</b>
2005	\$ 180,000	\$ 110,000	\$ 175,000	\$ 42,379	\$ 45,000	\$ 552,379
2006	190,000	110,000	175,000		63,254	555,559
				17,305		
2007	205,000	120,000	200,000		53,694	848,694
				270,000		
2008	-	120,000	200,000		168,067	778,067
	-			290,000		
2009	-	130,000	210,000		145,083	770,083
	-			285,000		
2010	-	140,000			530,000	970,000
	-		-	300,000		
2011	-	150,000			565,000	1,035,000
	-		-	320,000		
2012	-	150,000			575,000	1,065,000
	-		-	340,000		
2013	-	160,000			610,000	1,130,000
	-		-	360,000		
2014	-	180,000			620,000	1,150,000
	-		-	350,000		
2015	-	180,000			660,000	840,000
	-		-	-		
2016	-	200,000			325,000	525,000
	-		-	-		
2017	-	200,000			320,000	520,000
	-		-	-		
2018	-	210,000			340,000	550,000
	-		-	-		
2019						

\$ 575,000	\$	\$ 960,000	\$	360,000	360,000
	2,160,000		2,574,684	5,380,098	11,649,781

\*Preliminary; subject to change.

#### Escrow Agreement

The Refunded Bonds and the interest due thereon are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent"). The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the "Escrow Agreement") dated as of March 1, 2005, but effective on the date of delivery of the Bonds (currently scheduled for April 14, 2005). The Bond Resolution provides that a portion of the proceeds of the Bonds will be deposited with the Escrow Agent the net amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). The Escrow Agreement provides that the funds deposited in the Escrow Fund may be invested in direct obligations of the United States of America that mature on or prior to the redemption date for the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will not be available to pay principal of or interest on the Bonds.

Upon the deposit of the funds with the Escrow Agent, pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with law. It is the opinion of Bond Counsel that as a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash (or subsequent investments as described above) held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed outstanding obligations of the District payable from taxes or revenues nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit in the Escrow Fund are insufficient to make such payment.

#### Estimated Sources and Uses of Funds

The proceeds derived from the sale of the Bonds will be applied approximately as follows:

##### Sources of Funds:

Bond Proceeds	\$ _____
Original Issue Premium	_____
Accrued Interest on the Current Interest Bonds	_____
District Contribution	_____
<b>Total Sources of Funds</b>	<b>\$ _____</b>

##### Uses of Funds:

Refunding Escrow Deposits	\$ _____
Bond Insurance	_____
Costs of Issuance	_____
Underwriter's Discount	_____
Accrued Interest	_____
Additional Proceeds	_____
<b>Total Uses of Funds</b>	<b>\$ _____</b>

### THE BONDS

#### General Description

The \$5,380,097.60\* River Place Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2005, includes \$430,097.60\* principal amount of Capital Appreciation Bonds which will mature on the dates, in the amounts and accrete interest at the yields all as set forth on the cover page and \$4,950,000\* principal amount of Current Interest Bonds which will mature on the dates, in principal amounts, and at the rates per annum, all as set forth on the cover page. Interest on the Current Interest Bonds will accrue from March 1, 2005 and will be paid on September 1, 2005 and each March 1 and September 1 thereafter until maturity. Interest on the Capital Appreciation Bonds accretes from the date of initial delivery, is compounded semiannually on each March 1 and September 1 commencing September 1, 2005, and is payable together with the principal of the Capital Appreciation Bonds only at stated maturity. See "APPENDIX B - Schedule of Accreted Values."

The definitive Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged.

\*Preliminary; subject to change.

The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is Wells Fargo Bank, National Association, (the "Paying Agent/Registrar").

If the date of payment on any Bond is not a business day, then the date for such payment shall be the next succeeding business day.

**Termination of Book-Entry-Only System . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

**Payment . . .** Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent/Registrar upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the designated office for payment of the Paying Agent/Registrar in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent/Registrar by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent/Registrar requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

**Registration. . .** The Bonds may be transferred and re-registered on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent/Registrar. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid.

**Limitation on Transfer of Bonds . . .** Neither the District nor the Paying Agent/Registrar shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of any Bond called for redemption, in whole or in part, if the redemption is scheduled to occur within 45 calendar days after the transfer or exchange date.

**Replacement Bonds**

If a Bond is mutilated, the Paying Agent/Registrar will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent/Registrar will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

**Redemption**

**Optional Redemption...** The Current Interest Bonds maturing on and after September 1, 2012 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2011, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

**Mandatory Sinking Fund Redemption . . .** In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, \_\_\_\_ and September 1, \_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Interest and Sinking Fund:

**Bonds Maturing September 1, \_\_\_\_**

<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>

**Bonds Maturing September 1, \_\_\_\_**

<u>Mandatory</u>	<u>Principal</u>
<u>Redemption Date</u>	<u>Amount</u>

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\*Stated Maturity

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Interest and Sinking Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

**Notice of Redemption . . .** At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the Registered Owner of each Bond to be redeemed at its address as it appeared on the 45<sup>th</sup> calendar day prior to such redemption date and to major securities depositories and bond information services. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE. The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

**DTC Redemption Provisions . . .** The Paying Agent and the District, so long as a Book-Entry-Only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent. Neither the District nor the Paying Agent will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

#### **Source of Payment**

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. The Bonds are further payable from and secured by a pledge of and a lien on certain net revenues, if any, of the District's System ("Net Revenues"). It is not expected that the operation of the System will produce net revenues sufficient to make any substantial contribution to the District's debt service requirements. The Bonds are obligations of the District and are not the obligations of the State; Travis County, Texas; the City of Austin, Texas ("Austin" or the "City"); or any other political subdivision or any entity other than the District.

#### **Defeasance of Bonds**

Except to the extent provided in the Bond Resolution, any Bond, and the interest thereon, will be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Resolution (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, redemption, or otherwise) either (i) will have been made or caused to be made in accordance with the terms of such Bond (including the giving of any required notice of redemption) or (ii) will have been provided for on or before such due date by irrevocably depositing with or making available to a person (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit for such payment (the "Deposit") lawful money of the United States of America sufficient to make such payment or Government Obligations (as defined in the Bond Resolution), which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause a Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the District will cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification") or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the chief financial officer of the District certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the District will also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms of the Bond Resolution and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required

under the Bond Resolution must be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds will remain outstanding unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond is deemed to be a Defeased Bond, and all required criteria under the Bond Resolution have been met, such Bond and the interest thereon will no longer be outstanding or unpaid and will no longer be entitled to the benefits of the pledge of the security interest granted under the Bond Resolution, and such principal and interest will be payable solely from the Deposit of money or Government Obligations. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Current Interest Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Current Interest Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Current Interest Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of reservation be included in any redemption notices that it authorizes.

#### **Authority for Issuance**

At an election held within the District on August 10, 1985, voters of the District authorized the issuance of \$27,000,000 principal amount of unlimited tax bonds for the purpose of financing water, sanitary sewer and drainage facilities. The District has previously issued four series of bonds pursuant to such authorization for the purpose of acquiring or constructing utility facilities to serve property within the District. Pursuant to an agreement (the "Consent Agreement") between the City of Austin and the District allowing for the creation of the District and issuance of bonds by the District, the District was limited to the issuance of \$15,250,000 principal amounts for developer reimbursement purposes. The Consent Agreement can be amended with the consent of all parties thereto. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; Article XVI, Section 59 of the Texas Constitution; City of Austin Ordinance No. 97-416; Chapters 49 and 54 of the Texas Water Code, Chapter 1207, Texas Government Code, as amended; and the general laws of the State.

#### **Payment Record**

The District has previously issued, in four (4) separate series, a total of \$15,250,000 in Unlimited Tax and Revenue Bonds. The District has also previously issued, in one (1) separate series of refunding bonds totaling \$2,724,683.80 in Unlimited Tax and Revenue Refunding Bonds. There has been no default by the District in payment of principal of or interest on such bonds.

#### **Flow of Funds and Investment of Funds**

In the Bond Resolution, the Debt Service Fund is created, and the District agrees that the proceeds from all taxes levied, assessed and collected for and on account of the Bonds shall be deposited as collected in such fund.

#### **Investments/Earnings**

Money deposited into the Debt Service Fund and any other fund or funds which the District may lawfully create may be invested or reinvested in permitted investments. All investments and any profits realized from or interest accruing on such investments shall belong to the fund from which the moneys from such investments were taken. If any moneys are so invested, the District shall have the right to have sold in the open market a sufficient amount of such investments to meet its obligations in the event any fund does not have sufficient uninvested funds on hand to meet obligations payable out of such fund. Under such circumstances, the District must give notice to the depository to sell such investments in the open market. After such sale the moneys resulting therefrom shall belong to the fund from which the moneys for such investments were initially taken. The District is not responsible to the registered owners for any loss arising out of the sale of any investments.

#### **Paying Agent/Registrar**

Principal of and semiannual interest on the Current Interest Bonds and maturity value on the Capital Appreciation Bonds will be paid by Wells Fargo Bank, National Association, having its principal payment office in Austin, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"). The Paying Agent/Registrar must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Resolution for the District to replace the Paying Agent/Registrar by giving notice to the Paying Agent/Registrar of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent/Registrar. The successor paying agent/registrar, if any, shall be determined by the Board and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

#### **Registration, Transfer and Exchange**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) must be registered form in order for the interest payable on such obligations to be excludable from a registered owner's income for federal income tax purposes.



The Bonds may be transferred, registered and assigned on the register only upon surrender of such Bond or Bonds. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. A Bond shall be transferable only upon the presentation and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative in a form satisfactory to the Registrar. Upon due presentation of a Bond in proper form for transfer, a new Bond or Bonds will be authenticated and registered by the Registrar in any integral multiple of \$5,000 or principal amount or maturity value for the Bonds being transferred. The last assignee's claim of title to the Bond or Bonds must be proven to the satisfaction of the Registrar.

### **Issuance of Additional Debt**

The District's voters have authorized the issuance of \$27,000,000 of unlimited tax and revenue bonds. The District currently has \$11,750,000 of unlimited tax and revenue bonds authorized but unissued. Pursuant to a Consent Agreement between the District and the City of Austin, the District cannot issue bonds in excess of \$15,250,000 for the purpose of developer reimbursements. Therefore, the District cannot issue additional bonds for developer reimbursement without amending the Consent Agreement. The Consent Agreement can be amended with the consent of all parties thereto. Any additional bonds issued by the District would also require approval of the TCEQ. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN."

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District is also authorized by statute to engage in fire fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendment to the existing City ordinance specifying the purposes for which the District may issue bonds; (b) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of such bonds by the Attorney General of Texas. The Board has not considered calling an election for purposes of authorization of a detailed master plan and bonds for fire fighting activities at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "MUNICIPAL BOND RATINGS" and "BOND INSURANCE".

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations, or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations or investment criteria which might apply or to otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

### **Remedies in Event of Default**

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. Although a registered owner presumably could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a registered owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies" and "Bankruptcy Limitation to Registered Owners' Rights."

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other utility districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system(s) of the

district(s) with which it is consolidating as well as its liabilities (including the Bonds). No representation is made that the District will consolidate its water and wastewater system with any other district.

#### **Annexation**

The District lies within the extraterritorial jurisdiction of the City, except for approximately 20.93 acres which is located within the city limits of the City. Under State law, a city may annex a special district, such as the District, located within its extraterritorial jurisdiction without its consent. When such special district is annexed, the City, except under certain circumstances, must dissolve the special district and assume the assets, functions and liabilities of the special district. Pursuant to the Consent Agreement, the City may annex and dissolve the District at anytime after August 10, 1995 which was ten years from the date of the confirmation of the creation of the District. The City may under other circumstances annex the District but not dissolve the District, including circumstances in which the City is presented with a valid petition for annexation in support of incorporation and circumstances in which the City determines that annexation is feasible. In the event the District is annexed but not dissolved pursuant to the Consent Agreement, the District shall continue to provide retail water and wastewater service and the maintenance of parks and recreation areas.

#### **Alteration of Boundaries**

In certain circumstances, under State law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

#### **No Arbitrage**

The District certifies that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of the proceeds of the Bonds, and take such other and further actions and follow such procedures, including without limitation, calculating the yield on the Bonds as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

#### **BOND INSURANCE**

The District has made application to several municipal bond insurance companies and will consider the purchase of bond insurance after an analysis of bids has been made.

#### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act initially as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation,

Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Bond Order.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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## DISTRICT MAP

## THE DISTRICT

### General

The District was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality ("TCEQ" or the "Commission"), adopted on May 22, 1985, and by a confirmation election held within the District on August 10, 1985. The District operates as a municipal utility district pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and other general laws of the State applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or may enter into such contracts as the District Board of Directors ("Board") deems advantageous for, among other things, the purchase of water and collection, transportation, treatment and disposal of wastewater.

In order to obtain the consent for creation of the District from the City, within whose extraterritorial jurisdiction the District lies, the City requires the District to observe certain requirements which include (i) limiting the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities; (ii) requiring approval by the City of District construction plans; and (iii) permitting connections only to single-family lots and commercial or multi-family commercial platted reserves which have been approved by the Planning Commission of the City of Austin. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN." Construction and operation of the District's retail waterworks and sewer system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM - Regulation."

### Management of the District

#### *Board of Directors*

The District is governed by a board of directors (the "Board"), which consists of five (5) directors and which has control over and management supervision of all affairs of the District. Directors are elected to staggered four year terms. Elections are held within the District on the first Saturday in May in each even numbered year. All of the directors reside or own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
James F. Casey	President / Chairman	7 years	2006
Kenneth Bartlett	Vice President	9 years	2008
Arthur A. Jistel	Secretary	5 years	2008
Lee Wretlind	Treasurer	6 years	2006
Joseph Berkel	Director	2.5 years	2006

### Consultants

**Tax Assessor/Collector .....** Land and improvements in the District are being appraised by the Travis Central Appraisal District ("TCAD"). The Tax Assessor/Collector is appointed by the Board. The Travis County Tax Assessor/Collector, Ms. Nelda Wells Spears, currently serves the District in this capacity under contract. The Travis County Tax Assessor serves approximately 79 other districts as Tax Assessor/Collector.

**Engineer....** The District's consulting engineer is Gray-Jansing & Associates (the "Engineer"). The Engineer serves in this capacity for 3 other special districts.

**Auditor....** Pena & Swayze, Certified Public Accountants has been retained to audit the District's financial statements for the fiscal year ended September 30, 2004. Pena & Swayze serves as the auditor for 18 other special districts.

**Financial Advisor...** Southwest Securities serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds. The Financial Advisor has been authorized through an order of the Board to submit a bid for the purchase of the Bonds.

**Bond Counsel...** The District has engaged Winstead Sechrest & Minick P.C., Austin, Texas, as Bond Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

**General Counsel...** The District employs Winstead Sechrest & Minick P.C., Austin, Texas as general counsel.

**System Operator/Bookkeeper...** The District contracts with ECO Resources, Inc. ("ECO") to operate and maintain the System as well as to maintain the District's financial records. ECO serves in this capacity for approximately 62 other special districts.

#### **Verification Agent**

At the time of delivery of the Bonds McGladrey & Pullen LLP, Certified Public Accountants, will verify to the District and the Underwriter certain matters related to the issuance of the Bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS."

#### **Location**

The District contains approximately 948.87 acres of land and is located in Northwestern Travis County approximately ten miles north of the central business district of the City. The northern boundary of the District lies adjacent to Ranch-to-Market Road 2222 ("RM 2222"), and the District is situated approximately one mile southwest of the intersection of RM 2222 and Ranch Road 620 ("RR 620"). The District lies within the extraterritorial jurisdiction of the City, except for approximately 20.93 acres which is located within the City limits of the City. The District lies wholly within the Leander Independent School District.

#### **Out-of-District Service Area**

Pursuant to the terms of the Agreement Concerning Creation and Operation of River Place Municipal Utility District, as amended, between the District and the City of Austin, (the "Consent Agreement"), the District was authorized to provide water and wastewater services to an out-of-district service area which encompasses approximately 503 acres. The City, however is currently providing service to the majority of this area. Any development within the out-of-district service area will not result in an increase in the taxable assessed valuation of the property within the District. The District is prohibited from providing services to any area outside the boundaries of the District, other than the approved out-of-district service area, without the prior approval of the City. The District, however, is providing out-of-district wholesale water service to the Lower Colorado River Authority ("LRCA") pursuant to a contract dated May 1, 2001 between the District and LCRA.

#### **Historical and Current Status of Development (TO BE UPDATED)**

The District was created by the Texas Water Commission, now the TCEQ upon petition by River Place Venture, the original developer and owner of all of the land within the District. In accordance with its original plan, River Place Venture developed River Place Sections 2, 3, 4 and 5 as 211 single family lots on approximately 92.23 acres in the District. Following the construction of 1 home within River Place, River Place Venture defaulted on its development loan and all of its remaining land in the District and its 503 acres outside the District was foreclosed upon by its lender, Lamar Savings Association. On November 8, 1990, BSL Golf Corp. entered into an Earnest Money Contract ("Contract") with the Resolution Trust Corporation as Receiver for Southwest Federal Savings Association, the successor to Lamar Savings Association, to purchase all of River Place, including the 211 vacant developed lots, undeveloped land, golf course, and clubhouse. By assignment dated February 21, 1991, the Contract was assigned to First River Place Reserve Ltd. ("First River Place"), which purchased the property on February 21, 1991. In March, 1991, First River Place began improvements and renovations to the property. In early 1992, the golf course was redeveloped. In mid-1991 homebuilding in the District began, and in November, 1992, construction of additional subdivisions began.

As created, the District contained 948.87 acres. In December, 2001, the District annexed approximately 21.53 acres bringing the total District acreage to 970.40 acres. Pursuant to annexations in            (        acres);            (        acres); and            (        acres), the District now contains            acres of which            are developable.

As of February 15, 2005 all of the developable acreage within the District with the exception of approximately        acres had been developed with water, sanitary sewer, storm drainage facilities, and street paving as River Place Subdivision, Sections 2, 2B, 2C, 3, 3A, 3B, 4, 4A, 4B, 5, 6, 7A, 7B-1, 7B-2, 7C, 8, 9, 10, 11, 13, 15, 16, 21, 22, the Villas at River Place, the Overlook and various amenities. According to the District's General Manager, as of February 15, 2005 development in the District was as follows:

#### **Platted Development with Utility Facilities (TO BE UPDATED)**

<u>Section</u>	<u>Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
2	23.23	62	62	0	0
2B	5.10	15	15	0	0

2C	0.42	1	1	0	0
3	21.92	37	37	0	0
3A	1.84	4	4	0	0
3B	8.63	17	17	0	0
4	32.04	76	76	0	0
4A	11.11	12	12	0	0
4B	0.56	1	1	0	0
5	15.04	36	36	0	0
6	47.68	126	126	0	0
7A	13.59	46	46	0	0
7B-1	30.24	62	62	0	0
7B-2	*	22	22	0	0
7C	0.39	1	1	0	0
8	22.65	84	84	0	0
9 (Commercial)	15.22	1	1	0	0
10	12.01	21	21	0	0
11	53.16	80	80	0	0
13	25.80	62	61	0	1
15	37.62	95	44	33	18
16	21.53	17	10	0	0
17	0	0	0	0	0
21	21.47	17	17	0	0
22	48.62	50	47	0	3
Villas at River Place	6.23	17	17	0	0
Overlook	6.00	21	21	0	0

**Total Platted Development**

**with Utility Facilities:**

\*Included in Section 7B-1 acreage.

(Development Chart Continued on the Following Page)

966 921 33 22



**B. Platted; Not yet Developed with Utility Facilities**

<u>Platted Section</u>	<u>Acreage</u>	<u>Lots</u>
Panther Hollow	21.53	17

**Amenities**

<u>Section</u>	<u>Acreage</u>
Golf Course	156.37
Marina	2.66
Parkland	<u>12.55</u>
<b>Total Amenities</b>	<b>171.58</b>

**D. Undevelopable Acreage**

<u>Section</u>	<u>Acreage</u>
Greenbelt	245.93
Habitat Reserve	34.68 (a)
Nature Preserve	25.40 (a)
Fire Station	2.04
Water Quality	4.68
Water Storage Site	2.29
Treatment Plant	<u>1.70</u>
<b>Total Undevelopable Acreage:</b>	<b>316.72</b>
<b>Total Acreage:</b>	<b><u>970.40</u></b>

<sup>(a)</sup> Estimate.

In addition to the District's existing single family development, the District contains an 18-hole golf course, a 40,000 square foot clubhouse (which includes a restaurant, conference and banquet facilities, administrative offices, a fitness center, men's and women's locker rooms and pro shop), five lighted tennis courts and a junior Olympic swimming pool. The District has completed a 5.32 acre park and a 7.23 acre park, which includes a pavilion, a multi-purpose field, a volley ball court, and picnic areas. In April, 1999, the River Place Country Club was acquired by ClubCorp of America, Inc. and will be owned and operated by Country Club at River Place, Inc, a ClubCorp affiliate.

**Future Development**

All of the acreage within the District with the exception of approximately 20.93 acres has been developed with utility facilities and street paving. Additionally, the District has issued the \$15,250,000 principal amount of Bonds approved by the City and all of the utility facilities necessary to serve the District have been conveyed to the District. While the District may continue to annex additional acreage into the District's boundaries, with the consent of Austin, the District does expect to issue additional bonds for the purpose of acquiring or constructing additional utility facilities. See "THE SYSTEM" and "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN".

**CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN**

All of the Land within the District is located within the extraterritorial jurisdiction of the City of Austin, except for 20.93 acres which is located within the city limits of the City. Prior to the creation of the District, the City and the developer's predecessor in interest, River Place Venture, entered into an Agreement Concerning Creation and Operation of River Place Municipal Utility District No. 1, (the "Consent Agreement") effective as of February 24, 1984, and approved and executed by the District's Board of Directors (the "Board") after the District's creation. Such agreement was first amended on August 22, 1984 to extend the period of time for creation of the District. The Consent Agreement was substantially amended a second time in May, 1992 as to all property within the District which had not already been sold to builders or individuals as of such date. A third and fourth amendment was approved in 1993 and 1995 respectively, to provide for an amended land plan to accommodate the original project. A fifth amendment relating to the land plan was approved in February, 2000. The original agreement and the amendments are collectively referred herein to as the Consent Agreement.

The Consent Agreement sets forth, among other things, plans for operation and maintenance of a water system and wastewater system to serve customers within the District and allows the District to provide water service to its approved out-of-district service area which consists of approximately 503 acres owned by First River Place as of the date of the second amendment to the Consent Agreement. Although the District may provide water service to the entire 503 acre out-of-district service area. In the amendments to the Consent Agreement, the City agreed to serve approximately 450 of such acres. The Consent Agreement provides that water service shall be provided by the withdrawal and treatment of water from Lake Austin. The District disposes of wastewater through a TCEQ waste discharge permit and through the irrigation of effluent upon the golf course located within River Place. The District is not permitted to serve property outside the District and its approved out-of-district service area without the prior consent of the City.

The Consent Agreement also contains various provisions regarding bond issuance, land development and assignment as well as provisions for annexation and dissolution of the District. See "THE BONDS - Annexation." In particular, the Consent Agreement limits to \$15,250,000 the total amount of bonds which may be issued by the District to reimburse the developer and provides for a special monthly surcharge that may be charged to individual customers by the City after annexation and dissolution of the District for the purpose of compensating the City for the assumption of the District's debt, including the Bonds. The District must receive the approval of the City and the TCEQ prior to issuing any bonds.

## **THE SYSTEM**

### **Regulation**

Operation of the water, sanitary sewer and drainage system of the District (the "System") is subject to regulation by, among others, the United States Environmental Protection Agency, Travis County, the City, and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. New regulations or revisions to existing regulations may require improvements to the System. As a result, the District may be required to issue additional bonds to finance such improvements. According to the District's engineer, Gray-Jansing & Associates, (the "Engineer"), the water, sanitary sewer and drainage facilities constructed by the District have been designed in accordance with accepted engineering practices and the regulations of the TCEQ, Travis County, and the City. Construction and operation of the District's facilities are subject to the inspection of the TCEQ and the City, for determining compliance with approved construction plans, and by the TCEQ, the United States Environmental Protection Agency and various other agencies for compliance with environmental requirements.

### **Water Supply**

The District has entered into a raw water diversion contract with the Lower Colorado River Authority ("LCRA") to withdraw surface water from Lake Austin. The 1.8 million gallon per day ("mgd") water treatment plant constructed by the previous developer has been expanded to 3.6 mgd by funds received from the LCRA for the purpose of serving the Glenlake Water Supply Corporation ("GLWSC"). The surface water is treated, stored and delivered with a 3.6 mgd water treatment plant, including raw water intake facilities, 750,000 gallons of ground storage capacity, 500,000 gallons of elevated storage capacity, 3,000 gallons per minute booster pumps and certain water transmission mains (collectively, the "Water Treatment Plant"), which was constructed by previous developers for the purpose of serving River Place and the adjoining development, Canyon Creek. Proceeds of the sale of the Outstanding Bonds were used to complete the District's purchase of the Water Treatment Plant. The Water Treatment Plant is sufficient to serve approximately 2,083 Living Unit Equivalents ("LUES") based upon minimum criteria of 0.6 gpm per LUE. Currently the District has a contract with the LCRA which allows the District to withdraw 900 acre-feet of water per year from Lake Austin which is sufficient to serve 930 LUEs based upon minimum criteria of 0.6 gpm. The District and the LCRA have amended the raw water diversion contract from time to time to increase the quantity of water that the District may withdraw from Lake Austin. The District anticipates that it would enter into a similar amendment as its water needs increase. In addition, the District has installed an emergency interconnect with the City to supply potable water directly from the City in the event of a breakdown in its Water Treatment Plant. Currently the Water Treatment Plant is serving customers located in the District and providing wholesale service to GLWSC (See "THE DISTRICT - Out-of-District Service Area".)

### **Wastewater Treatment**

Wastewater is treated by a 400,000 gallons per day ("gpd") wastewater treatment plant constructed on behalf of the District by a previous developer. The plant has subsequently been modified with funds from a prior bond issue and is currently permitted for 207,000 gpd. The District pays all costs of operating the sewage treatment plant.

Effluent from the wastewater treatment plant is mixed with raw water and used to irrigate the golf course located within the District. According to the Engineer, based upon existing irrigable acreage (approximately 92 acres) the District may treat up to 207,000 gpd of wastewater at the plant, to irrigate the golf course, which based upon existing usage levels (300 gpd per LUE) is sufficient to serve 690 LUES. According to the District's Engineer, it is unlikely that the District will be able to acquire additional irrigation acreage. Current flows at the wastewater plant average approximately 141,000 gpd.

In order to accommodate additional development within the District, the District has entered into a Wholesale Wastewater Agreement with the City of Austin, pursuant to which the City of Austin has agreed to provide sufficient wastewater treatment capacity to serve an additional 625 living unit equivalents. See "THE DISTRICT - Wholesale Wastewater Agreement" below. In order to utilize such service, the Developer has constructed a force main and lift station to transport sewage to the City's facilities.

### **Storm Drainage and 100-year Flood Plain**

Storm sewers have been constructed within the District to convey surface water from the developed portions of the District to open natural channels and then to Lake Austin via a regional wet pond.

According to the Developer's Engineer, Section 16, has 9.74 acres out of approximately 58 acres located within the 100-year flood plain of Lake Austin.

#### **Water and Sewer System Capital Recovery Fee**

The District originally was levying a \$2,000 per lot capital recovery fee for the purpose of financing a portion of the cost of acquiring the water, sewer and drainage facilities serving the District. The District collected such fee at the time a lot was made for service to a lot located in River Place, Sections 2, 2B, 2C, 3, 3A, 3B, 4, 4A, 5, and 6. Proceeds of the capital recovery fees have been used by the District to purchase the water, sewer and drainage facilities serving River Place, Sections 2, 3, and 4. At such time as the District stopped levying the capital recovery fee, First River Place began charging a \$2,000 per lot capital recovery fee on each lot it sold in the District. Therefore, periodically First River Place would transfer to the District portions of the system having a value equal to the capital recovery fees it had received from the sale of its lots.

#### **Wholesale Wastewater Agreement**

The District and the City have entered into an agreement whereby the City will provide 625 LUES of wholesale wastewater treatment service to a portion of the District's service area under certain terms and conditions to be satisfied in the future (the "Wholesale Wastewater Agreement"). The District has further agreed that a portion of the District's approved out-of-district water service may be served by the City at such time as the City annexes such land into the City of Austin and pursuant to the Wholesale Wastewater Agreement the District and the City have agreed to a consensual annexation by the City of such area.

The Wholesale Wastewater Agreement requires the payment of certain fees to the City (which fees First River Place has agreed to pay on behalf of the District), the securing of capacity within the City's West Bull Creek Interceptor which was constructed with funds of other landowners, and the construction of all necessary improvements to connect a portion of the District's collection system to the City's wastewater collection system. In the event all of the conditions are not satisfied, the City is not obligated to provide wholesale wastewater service to the District. The quality of the wastewater delivered by the District to the City wastewater system is required to meet standards as set forth by the City ordinances prohibiting hazardous discharges or industrial waste discharges which had not been subject to adequate pre-treatment.

As noted above, construction of an 8" force main and lift station allowing the conveyance of wastewater from the District to the City's wastewater treatment facilities has been completed by First River Place.

#### **Wholesale Water Supply Agreement**

The District currently provides wholesale water diversion, treatment and delivery services for GLWSC. Under the contract, the District agrees to provide wholesale water service to GLWSC in a quantity not to exceed .69 mgd (366 LUEs) for a period of 40 years from the date of the contract. All water delivered to GLWSC is withdrawn from Lake Austin pursuant to contract entered into by GLWSC and the LCRA. The District has no obligation to deliver its water to GLWSC.

#### **Water and Wastewater Operations**

##### **General**

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District, and by a pledge of the Net Revenues, if any. It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contribution to the District's debt service requirements.

#### **Rate and Fee Schedule - Table 1**

##### **In District Customers**

##### **Residential**

##### **Water**

	Regular	Senior Citizen	
Basic Rate (includes first 2,000 gallons)	\$ 31.00	\$ 30.00	
2001 gallons to 25,000 gallons	2.50	2.50	per thousand gallons used
All over 25,000	3.00	3.00	

##### **Wastewater**

Based on Water Usage per 1,000 gallons	\$ 3.14	\$ 3.14
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##### **Commercial**

##### **Water**

Basic Rate (includes first 2,000 gallons and is based upon size of meter)

	Regular Commercial	Special Commercial
5/8" to 1"	12.00	10.00
1 1/4"	12.21	10.21
1 1/2"	14.47	12.47
2"	21.40	19.40

3"	68.76	66.76	
4"	84.10	82.10	
6"	129.93	127.93	
8" or larger	175.80	173.80	
2,001 to 25,000 gallons	2.50	0.50	per thousand gallons used
All over 25,000 gallons	3.00	1.00	per thousand gallons used

#### **Fire Hydrant**

Monthly Charge	\$ 75.00	\$ 75.00
Usage per 1,000	3.81	1.81

#### **Wastewater**

Basic Rate (includes first 2,000 gallons)	\$ 10.00
All over 2,000 gallons	3.14

#### **Tap Fees**

##### **Water**

Meter Size	
5/8"	\$ 1,750.00
3/4"	2,000.00
1"	2,250.00
Over 1"	3 X Costs

##### **Wastewater**

Meter Size		
5/8"	\$ 1,750.00	
3/4"	2,000.00	
Over 3/4"	2,250.00	(plus an additional \$250 per each incremental size increase)

Special Connection Charge	\$ 600.00
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Transfer Fee	5.00
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Site Development and Plan Review	3,500.00
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Construction Inspection	1,500.00
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Initial Request for Out-of-District Service	1,500.00
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Erosion Control Inspection Fee	25.00
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Erosion Control Re-Inspection Fee	25.00
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Plumbing Inspection	300.00
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#### **Out-of-District - LCRA**

*(The remainder of this page intentionally left blank)*

**Waterworks and Sewer System Operating Statement - Table 2**

The following statement sets forth in condensed form the historical operations of the District's System. Such summary has been prepared upon information obtained from the District's audited financial statements and records. Reference is made to such statements for further and more complete information.

<b>FISCAL YEAR END SEPTEMBER 30 <sup>(a)</sup></b>					
<b>REVENUES</b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Water, wastewater & garbage service, including penalties	\$ 1,364,420	\$ 1,403,313	\$ 1,407,058	\$ 1,249,984	\$ 1,388,645
System connection fees	14,050	16,500	31,200	88,200	324,500
Taxes, including penalties	419,212	507,127	587,728	296,230	239,416
Interest	26,713	40,736	77,571	199,179	134,432
Sale of Water & Wastewater Service	-	-	20,400	-	102,703
Lawsuit proceeds	-	-	-	1,117,900	125,000
Developer contribution	-	-	500,000	-	150,000
Grant Revenue	75,000	525,000	-	-	-
LCRA Contribution	75,879	-	-	-	-
Transfers-internal activities	28,562	-	-	-	-
Other	<u>93,096</u>	<u>25,108</u>	<u>8,330</u>	<u>100,698</u>	<u>69,767</u>
<b>TOTAL REVENUES</b>	<b>\$ 2,096,932</b>	<b>\$ 2,517,784</b>	<b>\$ 2,632,287</b>	<b>\$ 3,052,191</b>	<b>\$ 2,534,463</b>
<b>EXPENDITURES</b>					
Water purchases	\$ 76,225	\$ 87,902	\$ 71,618	\$ 82,292	\$ 78,472
Operations/Management fees	196,250	105,396	96,781	97,550	74,293
Joint water facility operations	-	556,575	-	-	321,609
Repairs and maintenance	616,193	52,332	589,097	504,021	289,529
Sludge hauling	56,257	104,811	48,815	41,300	26,028
Garbage collection	103,890	232,399	105,692	105,652	81,676
Electricity/telephone	254,585	118,416	259,141	249,984	134,568
Park expenditures	139,933	53,356	85,302	57,765	16,897
Chemicals	57,407	31,972	17,318	15,360	13,138
Director fees	29,873	82	22,877	20,023	19,495
Legal fees	68,723	129,717	86,596	67,885	64,410
Engineering fees	61,975	81,886	58,646	35,588	55,335
Audit fees	22,330	14,784	15,878	14,999	16,500
Security	17,860	19,140	7,820	-	-
Other consulting fees	15,615	47,355	54,908	3,283	19,171
Tax appraisal/collection	2,457	3,052	3,707	1,866	1,546
Seminar / Travel	1,724	2,763	2,160	-	-
Insurance	2,237	10,883	11,631	21,067	219
Other	30,526	25,547	15,080	19,190	11,390
Capital Outlay <sup>(b)</sup>	<u>522,838</u>	<u>1,780,323</u>	<u>1,481,384</u>	<u>776,199</u>	<u>342,332</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,276,898</b>	<b>\$ 3,458,691</b>	<b>\$ 3,034,451</b>	<b>\$ 2,114,024</b>	<b>\$ 1,566,608</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ (179,966)</b>	<b>\$ (940,907)</b>	<b>\$ (402,164)</b>	<b>\$ 938,167</b>	<b>\$ 967,855</b>

(a) Audited.

(b) Moneys listed as Capital Outlay include \_\_\_\_\_.

**PROJECTED DEBT SERVICE REQUIREMENTS – TABLE 3\***

River Place Municipal Utility District

\$5,380,097.60\*

Unlimited Tax Refunding Bonds, Series 2005

Issue Date: March 1, 2005

First Interest Payment: September 1, 2005

Year Ending	Current Debt Service	Less: Refunded	Series 2005				Principal and Interest	Total	Projected Total Debt Service Requirement
			Principal Due (09/01)	(Due 03/01)	(Due 09/01)	Interest**			
12/31	Requirements	Debt Service*							
2005	\$ 1,276,560	\$ 132,977	\$ 45,000	-	\$ 85,235	85,235	130,235	85,235	\$ 1,273,817
2006	1,240,110	265,955	63,253	-	186,226	186,226	249,480	186,226	1,223,635
2007	1,276,572	265,955	53,693	-	195,786	195,786	249,480	195,786	1,260,097
2008	1,273,387	485,955	168,067.40	-	296,412	296,412	464,480	296,412	1,251,912
2009	1,263,606	489,075	145,083.00	-	324,397	324,397	469,480	324,397	1,244,011
2010	1,278,940	716,150	530,000.00	84,740.00	84,740	169,480	699,480	169,480	1,262,270
2011	1,311,485	736,725	565,000.00	76,922.50	76,922	153,845	718,845	153,845	1,293,605
2012	1,306,185	729,975	575,000.00	68,165.00	68,165	136,330	711,330	136,330	1,287,540
2013	1,333,630	747,100	610,000.00	58,677.50	58,677	117,355	727,355	117,355	1,313,885
2014	1,312,550	736,750	620,000.00	48,307.50	48,307	96,615	716,615	96,615	1,292,415
2015	968,100	756,500	660,000.00	37,458	37,457	74,915	734,915	74,915	946,515
2016	618,150	393,750	325,000.00	25,578	25,577	51,155	376,155	51,155	600,555
2017	593,900	377,500	320,000.00	19,565	19,565	39,130	359,130	39,130	575,530
2018	604,650	386,250	340,000.00	13,565	13,565	27,130	367,130	27,130	585,530
2019	393,750	393,750	360,000.00		7,020	14,040	374,040	14,040	374,040





**FINANCIAL STATEMENT**  
(Unaudited as of February 15, 2005)

**Assessed Value - Table 4**

2004 Assessed Valuation (100% of estimated market value) .....	\$ 337,577,313 <sup>(a)</sup>
Estimated Assessed Valuation as of January 1, 2005 .....	\$ <u>337,577,313</u> <sup>(b)</sup>
Gross Debt Outstanding.....	\$11,649,781 <sup>(c)</sup>
Debt Service Fund Balance (Cash and investments) .....	\$ 1,363,781 <sup>(d)</sup>
Ratio of Gross Debt to 2004 Assessed Valuation .....	3.45%
Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2005 .....	<u>3.45</u> %

Area of District: 970.40 acres

Estimated 2004 Population: 3,224 <sup>(d)</sup>

Number of active connections as of February 15, 2005: 921

- (a) As certified by the Travis County Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) As provided by TCAD and is included solely for purposes of illustration. Such amount reflects an estimate of the taxable value within the District and is subject to review and change by TCAD. No tax will be levied until an appraised value is certified by TCAD. See "TAXING PROCEDURES."
- (c) Excludes the Refunded Bonds and includes the Refunding Bonds. Preliminary; subject to change.
- (d) Unaudited as of February 15, 2005. Neither State law nor the Bond Resolution requires that the District maintain any particular sum in the District's debt service fund.
- (e) Based on 3.5 residents per active single family connection.

**Unlimited Tax and Revenue Bonds Authorized but Unissued - Table 5**

<u>Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>	<u>Date of</u>
08/10/85	Water, Sewer and Drainage	<u>\$27,000,000</u>	<u>\$15,250,000</u>	<u>\$11,750,000</u>	
Total		<u>\$27,000,000</u>	<u>\$15,250,000</u>	<u>\$11,750,000</u>	

**Outstanding Bonds - Table 6**

<u>Dated</u>	<u>Original</u>	<u>Principal Amount</u>	<u>Date</u>	<u>Series</u>	<u>Purpose</u>	<u>Principal Amount</u>	<u>Outstanding</u>
<u>@ 2/01/05</u>							
							<b>A. New Money Issues</b>
08/01/95	1995	Water Sewer & Drainage	4,000,000			575,000 <sup>(a)</sup>	
09/01/98	1998	Water Sewer & Drainage	2,700,000			2,160,000	
04/01/00	2000	Water Sewer & Drainage	<u>4,650,000</u>			<u>960,000</u>	
	Subtotal		\$15,250,000			\$3,695,000	
							<b>B. Refundings</b>
11/01/02	2002	Refunding	2,724,684			2,574,684	
03/01/05	2005	Refunding	<u>5,380,098</u>			<u>5,380,098</u> <sup>(b)</sup>	
	Subtotal		\$8,104,782			\$7,954,782	
	<b>Total</b>		<u>\$23,354,782</u>			<u>\$11,649,782</u>	

(a) Excludes the Refunded Bonds. Preliminary; subject to change.

(b) Preliminary; subject to change.

**Cash and Investment Balances - Table 7 (Unaudited as of January 31, 2005)**

General Fund	\$ 2,370,775
Debt Service Fund <sup>(a)</sup>	1,363,781
Capital Projects Fund	435,343
Parks Fund	96,300

(a) Neither State Law nor the Bond Resolution requires that the District maintain any particular sum in the District's debt service fund.

**Investment Authority and Investment Practices of the District**

Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit that are issued by a state or national bank domiciled in the State, a savings bank domiciled in the State, or a state or federal credit union domiciled in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that

specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

#### **Current Investments - Table 8**

As of January 31, 2005, the District is currently invested in TexPool (\$4,223,546) and LOGIC (\$424,823), government investment pools, and certificates of deposits. This investment portfolio is generally representative of the District's investment practices. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Market Value as of  
January 31, 2005

TexPool	\$4,223,546
LOGIC	<u>424,823</u>
Total Investments	\$4,648,369

#### **Estimated Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by State law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes levied for debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Body	Net Debt		% of Overlpg. Net Debt	Amount of Overlpg. Net Debt
	Amount	As of		
Travis County	\$249,056,188	02/15/05	0.554%	\$ 1,378,645
Leander Independent School District	411,123,957	02/15/05	5.155%	21,193,063
Travis County ESD #6	3,415,000	2/15/05	8.375%	686,853
Austin Community College District	98,910,000	02/15/05	0.694%	<u>686,853</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				<u>\$ 23,544,570</u>
River Place Municipal Utility District	\$11,649,781 (a)	02/15/05	100.00%	<u>\$11,649,781 (a)</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING NET DEBT				<u>\$35,194,352</u>
Ratio of Direct & Overlapping Net Debt to 2004 Assessed Valuation				10.43%
Ratio of Direct & Overlapping Net Debt to Estimated Assessed Valuation as of January 1, 2005				<u>10.43%</u>

(a) Includes the refunded bonds. Preliminary; subject to change.

#### Overlapping Taxes for 2004

Overlapping Entity	2004 Tax Rate Per \$100 Assessed Valuation	Average Tax Bill(a)
Travis County	\$0.4872	\$1,709
Austin Community College	0.0900	351
Leander Independent School District	1.7900	6,279
Travis County Emergency Services District No. 6	0.1000	316
River Place Municipal Utility District	<u>0.5000</u>	<u>1,754</u>
Total	\$2.9672	\$10,409

(a) Based upon the average single family home value of \$350,794 as provided by the District's Tax Assessor/Collector.

#### TAX DATA

##### Classification of Assessed Valuation (a) - Table 9

Type Property	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
Single-Family Residence	\$ 364,504,927	97.69%	\$ 360,962,555	96.88%	\$ 380,277,481	96.26%
Commercial	5,352,719	1.43%	4,271,791	1.15%	4,210,689	1.07%
Vacant Platted Lots	3,124,792	0.84%	6,898,106	1.85%	9,743,035	2.47%
Acreage (Non-Agricultural)	134,609	0.04%	254,058	0.07%	309,457	0.08%
Acreage (Agricultural)	-	0.00%	-	0.00%	202,455	0.05%
Farm and Ranch	-	0.00%	212,267	0.06%	<u>306,611</u>	<u>0.08%</u>
Total	<u>\$ 373,117,047</u>	<u>100.00%</u>	<u>\$ 372,598,777</u>	<u>100.00%</u>	<u>\$ 395,049,728</u>	<u>100.00%</u>

(a) Reflects classification of assessed valuation as supplied by the Travis County Appraisal District ("TCAD").

**Tax Collections - Table 10**

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current</u>		<u>Total</u>		<u>Year Ending</u>
				<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
1997	\$128,935,427	\$0.600	\$774,492	769,387	99.34	782,403	101.02	09/30/98
1998	155,888,969	0.600	935,334	934,627	99.92	956,028	102.21	09/30/99
1999	198,798,204	0.600	1,192,789	1,191,936	99.93	1,191,936	99.93	09/30/00
2000	251,287,162	0.600	1,507,723	1,499,741	99.47	1,500,170	99.50	09/30/01
2001	328,122,359	0.550	1,783,061	1,780,426	99.85	1,786,121	101.57	09/30/02
2002	362,577,527	0.500	1,812,888	1,811,437	99.92	1,812,888	100.00	09/30/03
2003	342,502,900	0.500	1,712,515	1,697,068	99.10	1,704,823	99.55	09/30/04
2004	337,577,313	0.500	1,687,887	<i>In process of collection</i>				09/30/05

**District Tax Rates - Table 11**

<u>Tax Rate per \$100 A.V.</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Debt Service	\$0.3800	\$0.3772	\$0.3600	\$0.3700	\$0.4819	\$0.4800
Maintenance	<u>0.1200</u>	<u>0.1228</u>	<u>0.1400</u>	<u>0.1800</u>	<u>0.1181</u>	<u>0.1200</u>
Total	\$0.5000	\$0.5000	\$0.5000	\$0.5500	\$0.6000	\$0.6000

**Tax Rate Limitation**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

**Maintenance Tax**

The District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District's facilities and for paying administrative expenses of the District, if such maintenance tax is authorized by the District's voters. Elections for such a tax were held on August 10, 1985 at which time a maintenance tax not to exceed \$1.50 per \$100 assessed valuation was approved by the District's voters.

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**Principal Taxpayers- Table 12**

The following list of principal taxpayers was provided by the Tax Assessor/Collector based on the 2004, 2003 and 2002 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2004	2003	2002
River Place Golf Group L.P.	Land & Improvements	\$ 5,922,332	\$ 7,174,534	\$ 7,174,489
Deitrick, R	Land & Improvements	963,956	938,954	1,106,855
Shimkus B&D	Land & Improvements	853,277	844,870	852,247
Anderson, W&J	Land & Improvements	852,794	879,218	838,103
Maidment, H&D	Land & Improvements	845,102	985,238	-
Armour, R&S	Land & Improvements	822,420	795,946	749,052
Newmark Homes	Land & Improvements	790,004	1,456,904	1,042,500
Holmes, T	Land & Improvements	775,705	-	-
Gross, JD&M	Land & Improvements	758,124	-	-
Yates, C	Land & Improvements	757,460	805,613	879,650
River Place County Club	Personal	-	1,348,705	-
Brown, C&A	Land & Improvements	-	-	794,532
Jordan, D	Land & Improvements	-	764,357	752,822
Maunder, M&S	Land & Improvements	-	-	740,500
	Total	<u>\$ 13,341,174</u>	<u>\$ 15,994,339</u>	<u>\$ 14,930,750</u>
	Percent of Assessed Valuation	3.95%	4.30%	3.80%

- Not a top taxpayer for respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2004 Assessed Valuation and the Estimated Assessed Valuation as of January 1, 2005 and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Projected Average Annual Debt Service Requirements on the Bonds

and the Remaining Outstanding Bonds (2005 through 2019) \$1,052,357

\$0.33 Tax Rate on 2004 Assessed Valuation of

\$337,577,313 @ 95% collections produces \$1,058,305

\$ Tax Rate on Estimated Assessed Valuation as of January 1, 2005 of

\$ @ 95% collections produces \$

Projected Maximum Annual Debt Service Requirements on the Bonds

and the Remaining Outstanding Bonds (2013) \$1,313,885

\$0.41 Tax Rate on 2004 Assessed Valuation of

\$337,577,313 @ 95% collections produces \$1,314,864

\$ Tax Rate on Estimated Assessed Valuation as of January 1, 2005 of

\$ @ 95% collections produces \$

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/05 ..... \$1,273,817.50 (a)

Debt Service Fund Balance (Audited as of 9/30/04)..... \$724,681

2004 Debt Service Tax Levy @ 95% collections produces ..... \$1,218,654 (b)

Total Available for Debt Service ..... \$1,943,335

(a) Reflects 2005 debt service requirements after the issuance of the Bonds. Preliminary; subject to change.

(b) The District levied a 2004 debt service tax rate of \$0.38 per \$100 assessed valuation.

**TAXING PROCEDURES****Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Remaining Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of Payment." Under State law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain

contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation." The District's voters have authorized the levy of a maintenance tax in the maximum amount of \$1.50 per \$100 assessed valuation, and the District has levied such a tax in the past.

#### **Property Tax Code and County-Wide Appraisal District**

The State Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. TCAD has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

#### **Property Subject to Taxation by the District**

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

**Residential Homestead Exemptions...** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has, in prior years, adopted a general homestead exemption in the amount of 20% of appraised value, but no representation is made that the Board will determine to grant such exemption in the future.

#### **Tax Abatement**

Travis County, Texas may designate all or part of the area within the District as a reinvestment zone. The City also may designate property within its boundaries or its extraterritorial jurisdiction ("ETJ") as a reinvestment zone. Thereafter, Travis County, the Leander Independent School District, the District, or the City (after annexation of the District) at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of certain provisions contained in all municipal tax abatement agreements must be substantially the same.

#### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The chief appraiser uses the method he or she considers the most appropriate. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits

under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the TCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the TCAD chooses formally to include such values on its appraisal roll.

#### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the TCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

#### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

#### **District's Rights In The Event Of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the States and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2004". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General" and "Tax Collections Limitations and Foreclosure Remedies."

### **INVESTMENT CONSIDERATIONS**

#### **General**

The Bonds, which are obligations of the District and are not obligations of the State; Travis County, Texas; the City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District and are also secured by Net Revenues. See "THE BONDS - Source of Payment." The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District makes no representation that over the life of the Bonds continued development of



erty within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners' Remedies" below. See "Registered

### **Economic Factors Affecting Taxable Values and Tax Payments**

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. Lenders have been selective in interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately twelve (12) miles from the central downtown business district of the City, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

**Competition** ... The demand for and construction of single-family homes in the District, could be affected by competition from other residential developments including other residential developments located in other utility districts located near the District, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

**Impact on District Tax Rates** ... Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2004 assessed valuation of the District is \$337,577,313 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$1,313,885\* (2013) and the Projected Average Annual Debt Service Requirement will be \$1,052,357\* (2005 through 2019, inclusive). Assuming (i) no increase or decrease from the 2004 assessed valuation, and (ii) no use of funds on hand, a tax rate of \$0.41/\$100\* assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$1,313,885\*. The District's 2004 debt service tax rate is \$0.36/\$100\* assessed valuation. See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

### **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Registered owners of the Bonds are entitled under State law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

### **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946 ("Chapter 9"). The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under recent State legislation, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

### **The Effect of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 on Tax Collections of the District**

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by state property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market.

Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

### **Future Debt**

The District has previously issued four installments of the \$27,000,000 in bonds authorized at an election held within the District on August 10, 1985, for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system. Pursuant to the Consent Agreement, the District cannot issue bonds in excess of \$15,250,000 for developer reimbursement purposes. The

Consent Agreement can be amended with the consent of all parties thereto. See "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN." The Bonds are issued pursuant to the Bond Resolution, an ordinance of the City of Austin, the Texas Constitution and the general laws of the State. See "THE BONDS - Authority for Issuance," and "-Issuance of Additional Debt."

#### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various assumptions and estimates are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

#### **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **LEGAL MATTERS**

#### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and Net Revenue. Issuance of the Bonds is also subject to the legal opinion of Winstead Sechrest & Minick P.C. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorney rendering the opinion as to the legal issue explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. In connection with the transaction described in this Official Statement, Bond Counsel represents only the District.

#### **No-Litigation Certificate**

The District will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

#### **No Material Adverse Change**

The obligations of the Underwriters to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in this Preliminary Official Statement, as it may be amended through the date of sale.

### **TAX MATTERS**

#### **Opinion**

On the date of initial delivery of the Bonds, Winstead Sechrest & Minick P.C., Bond Counsel, will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals and corporations; however, interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, Real Estate Investment Trust, Real Estate Mortgage Investment Conduit, or Financial Asset Securitization Investment Trust) for purposes of computing its

alternative minimum tax liability. Corporate purchasers of the Bonds should consult their tax advisors regarding the computation of alternative minimum tax.

The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and rebate to the United States of certain earnings from investments. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications, designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations such as the Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding any potential collateral tax consequences. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the "Service"). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service's view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention, or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

#### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") may be offered and sold to the public at an "original issue discount" ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Bonds. The issue price of Discount Bonds is the initial offering price to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of Discount Bonds of the same maturity are sold pursuant to that offering.

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond's period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes, to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. Original issue discount may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and is treated as interest earned by cash-basis owners (with possible tax consequences under the corporate alternative minimum tax as discussed above), even though no cash corresponding to the accrual is received in the year of accrual. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

### **Original Issue Premium**

Certain maturities of the Bonds (the "Premium Bonds") may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity. That excess amount constitutes bond premium, which, for federal income tax purposes, is amortized over the period to maturity of the Premium Bond based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, an amortization period and yield determined on the basis of the earliest call date resulting in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the Premium Bond owner.

For purposes of determining a Premium Bond owner's gain or loss on sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the ownership period. As a result, an owner of a Premium Bond may realize taxable gain for federal income tax purposes upon the sale or other disposition of such Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to the earliest call date resulting in the lowest yield on that Premium Bond) will realize no gain or loss upon retirement of that Premium Bond. Owners of Premium Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of bond premium properly accruable in any tax year (or portion thereof), and with respect to other federal, state, and local tax consequences of owning and disposing of Premium Bonds.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Code Section 265 provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, Code Section 265 provides a complete (100%) disallowance of a deduction for interest expense incurred by "financial institutions" described in such section that is allocable, as computed under Code Section 265, to tax-exempt interest on obligations acquired after August 7, 1986. Code Section 265(b) provides an exception to this rule for interest allocable to tax-exempt obligations (other than private activity bonds) that are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issuer may make such designation only if the amount of the issue, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the calendar year, does not exceed \$10,000,000. Pursuant to Code Section 291, however, twenty percent (20%) of the interest expense incurred by a "financial institution" that is allocable to interest on "qualified tax-exempt obligations" will not be deductible. The District has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded.

### **VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS**

McGladrey & Pullen, LLP., a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the District its verification report indicating that it has performed certain procedures to verify, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of the information provided by the Underwriters relating to (a) the sufficiency of the anticipated receipts from the Escrowed Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and early redemption premium requirements, if any, on the Refunded Bonds, and (b) the "Yield" on the Escrowed Securities and on the Bonds.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who purchase the information from the information vendors.

#### **Annual Reports**

The District will provide certain updated financial information and operating data to certain information vendors annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings "Tables 1 through 12" and "Appendix A." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2005. The District will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and any SID within such six month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is September 30<sup>th</sup>. Accordingly, it must provide updated information by March 31<sup>st</sup> in each

year, unless it changes its fiscal year. If the District changes its fiscal year, it will notify each NRMSIR and any SID of the change.

#### **Material Event Notices**

The District will also provide timely notices of certain events to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB"). The District will provide notice of any of the following events with respect to the Bonds, if the event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the District will provide timely notice of any failure by it to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to any SID and to either each NRMSIR or the MSRB.

#### **Availability of Information from NRMSIRs and SID**

The District has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to registered owners only if the registered owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State of Texas and the SEC as a SID. The address of the Municipal Advisory Council is 600 West 8<sup>th</sup> Street, P.O. Box 2177, Austin, Texas 78768-2177, its telephone number is 512/476-6947, and its website address is [www.mactexas.com](http://www.mactexas.com)

The Municipal Advisory Council has also received Securities and Exchange Commission approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the District. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at [www.DisclosureUSA.com](http://www.DisclosureUSA.com) ("Disclosure USA"). The District may utilize DisclosureUSA for the filing of information relating to the Bonds.

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of such rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **Compliance with Prior Undertakings**

The District is in compliance with all material provisions of its Continuing Disclosure agreement.

#### **MUNICIPAL BOND RATINGS**

In connection with the sale of the Bonds, the District has made application to Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation, a division of the McGraw-Hill Companies ("S&P") for a municipal bond rating and has received ratings of "Aaa" and "AAA", respectively, as a result of an insurance policy issued by \_\_\_\_\_. Additionally, the Bonds and the District's outstanding bonds have received underlying ratings of "\_\_\_\_" and "\_\_\_\_" from Moody's and S&P, respectively. The District's Series 1995, 1998, 2000 and 2002 bonds were also rated "Aaa" and "AAA" by Moody's and S&P, respectively, based upon the issuance of insurance policies by Ambac Assurance Company (Ambac), Financial Guaranty Insurance Corporation (FGIC), and Financial Security Assurance Inc. (FSA), respectively. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.



## FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Southwest Securities (the "Financial Advisor"), which firm was employed in 1997 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

## UNDERWRITING

The Underwriter of the Bonds has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$\_\_\_\_\_ from the initial public offering prices therefore set forth on the cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriter.

## OFFICIAL STATEMENT

### Preparation

The information in this Official Statement was compiled and edited by the District's Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT" - ECO Resources Inc. (the "General Manager"), Gray-Jansing & Associates ("Engineer"), Leander Independent School District, and various area commercial and retail establishments; "THE DISTRICT - Historical and Current Status of Development" - the General Manager; "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT - Unlimited Tax And Revenue Bonds Authorized But Unissued" - Records of the District ("Records"), "FINANCIAL STATEMENT"-Travis County Appraisal District (the "Appraisal District") and Nelda Spears ("Tax Assessor/Collector"); "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - Appraisal District and Tax Assessor/Collector; "THE SYSTEM - Water And Wastewater Operations" - Audits and Records; "THE DISTRICT - Management" - District Directors; "PROJECTED DEBT SERVICE REQUIREMENTS" - Financial Advisor; "CONSENT TO CREATION AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF AUSTIN," "THE DISTRICT - General" and "Out of District Service Area," "TAXING PROCEDURES," "THE BONDS," "THE SYSTEM - Wholesale Water Supply Agreement," and "LEGAL MATTERS" Winstead Sechrest & Minick P.C.

### Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

*The Engineer:* The information contained in the Official Statement relating to engineering and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Gray-Jansing & Associates, and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

*Appraisal District:* The information contained in the Official Statement relating to the historical Certified Taxable Assessed Valuations has been provided by TCAD and has been included herein in reliance upon the Authority of such entity as experts in assessing the values of property in Travis County, including the District.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to principal taxpayers, historical tax collection rates and make-up of taxable property within the District including particularly such information included in the Section entitled "TAX DATA" has been provided by Nelda Wells Spears in reliance upon his authority as an expert in the field of appraising and tax assessing.

### Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriters, unless the Underwriters notify the District on or before such date that fewer than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

### Certification as to Official Statement

The District, acting by and through its Board in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes

no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Underwriters.

**Official Statement "Deemed Final"**

For purposes of compliance with Rule 15c(2)-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c(2)-12.

This Official Statement was approved by the Board of Directors of River Place Municipal Utility District, as of the date shown on the first page hereof.

/s/

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James Casey  
President, Board of Directors  
River Place Municipal Utility District

/s/

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Arthur Jistel  
Secretary, Board of Directors  
River Place Municipal Utility District



### **PHOTOGRAPHS**

The following photographs were taken in the District in February, 2005. The homes and commercial establishments shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

## **APPENDIX A**

### **Audited Financial Statements**

The information contained in this appendix has been excerpted from the audited financial statements of River Place Municipal Utility District for the fiscal year ended September 30, 2004. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**APPENDIX B**  
**Schedule of Accreted Values**

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COME)

## APPENDIX C

### Sample Specimen Insurance Policy

APPENDIX D

**Form of Bond Counsel Opinion**